Management RECORD

July-August 1961 • Vol. XXIII • Nos. 7-8

- Charting Manpower Plans
- Organization Structures in Flux
- Explaining a Salary Program
- Survey of Union Strike Benefits

NATIONAL INDUSTRIAL CONFERENCE BOARD, INC.

CONTENTS

SPECIAL ARTICLES

REGULAR FEATURES

Management Record is prepared by

Division of Personnel Administration: S. Avery Raube, Director; Harold Stieglitz, Assistant Director; Harland Fox, Stephen Habbe, Allen R. Janger, Miriam Kerpen, Aileen L. Kyte, John J. McKew, Mitchell Meyer, J. Roger O'Meara, Pauline Reece, Geneva Seybold, George W. Torrence, Walter S. Wikstrom, N. Beatrice Worthy.

Editorial Staff: Sanford Rose; Arthur V. Voyne. **Charts:** Paulette le Corre Lydon; Natividad Avilez, Roman Doberczak, Betty Fragge, Rosanne W. Reilly, Ramon J. Rodriguez.

Management Record

July-August, 1961

Vol. XXIII, Nos. 7-8

• In the Record •

Focus on Organization Planning

The story goes something like this. First the company diversifies; then it divisionalizes; then decentralizes; and finally, in some cases, fragmentizes.

A tragic but eminently preventable denouement, argue organization planners. The trouble may be that some companies divisionalize before formulating over-all objectives and plans that are consistent with their new structures. Once formulated, however, these objectives generally lead firms to take steps that fall into three classifications: (1) the expansion of the role of corporate staff; (2) the creation of more general executives and, in some companies, something called the group executive; and (3) the elaboration of the office of the chief executive.

"Developing Patterns in Organization Structures," which begins on the next page, discusses what these steps involve and why they are logical concomitants to successful divisionalization.

The organizational changes noted above place heavy burdens on a company's available manpower. Does the firm have people who can plan and control as well as service the line organization? Are there men who can coordinate several different functions and thus qualify as general executives? How many of the needed personnel are currently with the company and who will have to be hired?

Companies faced with these problems often find that replacement charts help answer some of these questions by providing a bird's eye view of the organization's manpower strengths and weaknesses.

"Charting Management Manpower Plans," which starts on page 8, surveys the evolution of a replacement chart, indicates the character of the data that usually appear on it, and suggests ways such charts can and can't be used.

• • •

Explaining Salary Programs to Salaried Employees

The saying that an informed employee is more likely to be a good employee is practically a cliché of modern personnel administration. Like many clichés, however, it lacks specificity. For instance, what constitutes an "informed" employee? How much information should companies supply? And is there some information that, if known, could hurt the employee's performance?

In the area of wage and salary administration, companies have long been grappling with the problem of how much data to make available to employees. By and large the tendency has been toward greater disclosure of salary ranges, maximum rates, etc. There is less than unanimity, however, with some firms remaining strongly opposed to revealing certain aspects of their salary program.

To determine current practice, THE CONFERENCE BOARD recently asked fifty-five pace-setting firms what information they disclose to the exempt salaried group, their reasons for revealing the data, and how they go about explaining the company salary program. For their responses, see the article beginning on page 15. An appendix containing examples of actual company statements may be found on page 42.

• • •

Money Money Money

This month's *Management Record* carries three articles that cover different areas but have one unifying theme—money.

► *Pensions*—The more than fourfold increase in the assets of corporate, noninsured pension funds in the last decade has been accompanied by a dramatic shift in the funds' investment portfolio. The popularity of government securities has declined, while common stockholdings have increased from 12% of total assets in 1951 to 33% in 1960. For details, see "The Growth in Corporate Pension Funds" on page 18.

► *Strike Benefits*—Labor, meanwhile, would like to see an increase in the assets of another kind of fund—the strike benefit fund. A recent Conference Board survey of 102 unions revealed that fifty-seven have established strike benefit procedures. For information on how the funds are financed, the size of the strike benefit, waiting periods, and eligibility requirements, see page 29.

► *Minimum Wage*—The third article on the subject of money deals with the new minimum wage law, the first major extension in FLSA coverage in twenty-three years. Questions answered include: who is now covered, who remains exempt, and what will the law cost the employer. "Spotlight on the New Minimum Wage Law" begins on page 24.

Developing Patterns

in

Organization Structures

How CAN one man—the chief executive—manage to manage an ever larger and more complex enterprise? How can one person be responsible for, much less know what is going on in, a nationwide or often international corporation that is not only geographically far flung but also may embrace a number of unrelated enterprises?

In attempting to find a satisfactory answer to such questions, companies have tried a variety of revisions in their corporate structures. As a result, it is often said that change is the only constant in company organization structuring. The truth of this cliché, which is both a refuge and a vested interest of the organization planner, becomes evident when one attempts to examine the structure of a large number of companies. In gathering material for a forthcoming study,[1] THE CONFERENCE BOARD was frequently told: "Our latest organization chart is no longer current," or "We are just in the process of reorganizing," or "A new chart reflecting recent changes will be sent as soon as possible."

Many of the organization changes these companies refer to are minor in that they reflect a shift in one or two functions, or a change in several reporting relationships, or merely a change in the personnel occupying given positions. On the other hand, a sizable portion of the changes are major in that they reflect large-scale regroupings of activities or basic changes in the authority structure of the company.

Even some seemingly minor changes may be major. The insertion of an executive vice-president in an organization where none has existed before, for example, may represent a relatively small change in the chart, but it may well be a major redistribution of authority. In some companies, a series of small, seemingly unrelated organization changes takes on a pattern after a while and begins adding up to a major change. It is then that even the detached observer, not privy to inside working of the company, begins to realize that almost any company's chart—at any one time—is merely one stage in an ever-evolving organization plan.

As a matter of fact, the charts of a variety of organizations, taken at any one time, may depict an evolving pattern of business in general adapting its organization structure to change. For, conceivably, instead of looking at the separate charts of three or four different companies, one might be looking at the chart of a single company at four different stages of its development.

Among more than sixty different companies whose charts have been analyzed by the Board, such a pattern is discernible. The pattern reflects the attempts of companies to build organization structures suitable to larger and, more importantly, far more complex businesses. Today, many companies are more complex because they serve new markets, produce new products and, as a result, operate in a changed legal and economic climate. In some firms, greater complexity has come about through mergers and acquisitions. In others, it has resulted from self-generated expansion.

A relatively few giant companies faced the problems of managing a large, highly complex business many years ago.[1] The solutions they reached at that time were viewed as pioneering. But it is becoming more evident that as more companies reach a certain stage in size and complexity, they reach for organizational solutions that are somewhat similar. Of course, for some companies this may be pure emulation of what seems to have been successful for another company with similar problems. But more often today the similarity seems to result from

[1] "Corporate Organization Structures," *Studies in Personnel Policy* No. 183, now in press.

[1] For one recent investigation of this point, see "The Great Organizer," by Ernest Dale, McGraw-Hill Publishing Company.

the application of the principles of organization to a given set of circumstances.

The observable pattern among the company structures analyzed has four major elements to it, some more evident than others:

1. A more concerted move to divisionalized organization structures accompanied by greater decentralization.

2. The elaboration and changed role of corporate staff.

3. The emergence of another level of general executives, most often labeled "group executives."

4. The elaboration of the chief executive's office.

The elements of this pattern are by no means unrelated. All stem from the same root problem. All might be viewed as part of the answer to the question asked at the beginning of this article: "How can one man—the chief executive—manage to manage an ever larger and more complex enterprise?"

DIVISIONALIZATION WITH DECENTRALIZATION

As companies move into new fields of operations, occasioned by expanded product lines or wider sales regions, they face new problems of competition, new technological problems, and new marketing problems. A company historically identified with the production and sale of glass containers, for example, meets a whole new field of competitors when it expands its product line to include metal and paper containers. A service company operating in one region meets a new field of competitors when expanding into another area.

The functional-type organization, so well fitted to the single product company or the company operating in one socioeconomic region, has difficulties in adequately coping with all these situations. One head of manufacturing finds it difficult to deal with all the different manufacturing problems associated with a variety of different products. One head of sales finds it difficult to give adequate attention to the sale of different products to different customers in different regions. And, even more important, one man—the chief executive or his delegate—finds it difficult and even hazardous to continue over-all coordination of all line elements after the firm has expanded into new product lines or geographic areas.

To give adequate emphasis to different product lines, for easier identification of profitability, for greater flexibility of operations, and to increase the company's ability to compete in a variety of markets, a growing number of companies have grouped functions on a product basis and delegated responsibility for their coordination to the head of a product division.

Almost by definition, such divisionalization has brought with it a greater degree of decentralization; in a divisionalized organization, the authority to make decisions involving the coordination of the activities relating to one product and accountability for profits occurs at a lower level than the president or the executive vice president.

Of course, divisionalization on a product basis may proceed from two different directions. Most often it occurs in a company that was previously organized along functional lines. But it may also come about in a totally different way: where wholly owned subsidiaries are more closely integrated into the operations of the parent company; or where merged or acquired companies operate as divisions of the over-all company. In the process of becoming a division, the subsidiary, or the merged or acquired unit, loses some of its autonomy. This, it has been argued, amounts to recentralization rather than decentralization. From the point of view of the parent or over-all company, however, it is still decentralization. (Because there are other aspects to this point, it will be touched on later.)

Among the companies whose organization structures have been studied by the Board, this move to divisionalize operations stands out clearly. For some, the move was started after World War II and has continued. For many others, the move is more recent. It is most noticeable, naturally, among those diversified manufacturing companies whose operations most readily lend themselves to the grouping of activities on the basis of product. But it is worth noting that even companies engaged in businesses whose production processes historically have lent themselves to a functional organization—steel, for example—or those that have a common market for a variety of products—foods, for example—have adopted divisionalized organizational structures.

Problems of Divisionalization

The move to divisionalize has not been without its problems. For one thing, as more specialized product groupings are attempted, it becomes increasingly difficult to meet the three basic criteria for optimum divisionalization along product lines: differing production technology for each product; differing markets for the various products; and sufficient demand for the particular product to warrant setting it up as a full-scale divisional operation.

Markets begin to overlap and customers complain about being visited by several different salesmen—each selling a different product—from the same company. As a result, some companies have regrouped elements of some of their product divisions. Instead of having ten product divisions, they may regroup to eight—combin-

ing divisions in which production technology or markets overlap. Or, instead of having each product division sell all of its own products, a special sales unit is set up to handle sales of some of the products of several divisions to a particular segment of the market.

For another thing, in establishing product or regional divisions, a formidable problem arises over the a location of staff or service units to the separate divisions. Does a division need to have a full staff complement in accounting, personnel, public relations, and research? Judging from the charts and manuals of the participating companies, economics, tempered by considerations of decentralization, seems to provide the answer. If the requirements of the division are of such a nature as to require a full-time staff component in any of the fields of specialization mentioned, the unit is set up. But if the services can be more economically provided by a central unit, or a unit serving a group of divisions, the staff service is not placed within the division.

However, as mentioned above, this purely economic consideration is tempered by the nature of delegated authority. If the division head, or other unit head, is held accountable for profitable results, he may require or feel that he requires certain staff units at his elbow.

The companies participating in the Board's survey show a variety of staff arrangements so far as their divisions are concerned. In companies whose divisions are virtually major operations, or whose divisions are geographically dispersed, a full staff complement often exists within the division and/or units of the division. More often, when the company is smaller or not so widely dispersed, the product divisions may have less staff or none at all. The head of the product division in such a situation can avail himself of central staff services or, depending upon the degree of decentralization, hire outside consultants to furnish his requirements.

EXPANDED ROLE OF CORPORATE STAFF

As a company grows, staff also grows. Part of this growth is a natural consequence of the need for more services of the same type: it takes a larger accounting department to service a company with $1 million in sales and 1,000 employees than one with $500,000 in sales and 400 employees. Part results from companies' setting up units to carry on activities previously bought on a contract basis: instead of hiring an outside public relations firm or legal counsel on a part-time basis, a firm that has expanded may decide it needs a full-time staff department to provide these services.

But, it is also evident that certain staff components are now appearing at the corporate level of many companies for the first time. Some of these "newer" corporate staff functions are entitled: community relations, government relations, stockholder relations, computer technology or electronic data processing, research, product development, marketing and market research, manufacturing, executive development, organization planning, long-range planning, organization development, management services, and control.

Some of these units are attributable to the changed competitive environment the business operates in—research, product development and market research are prime examples. Government and community relations might also come under this heading. Some owe their existence to the move to divisionalized operations — for example, organization planning, executive development and the emergence of corporate staff units in marketing and manufacturing. Others are consequences of both—electronic data processing, long-range planning, organization development, management services.

However, while the types of staff activity at the corporate level have been increasing, it is not accurate to say that the number of corporate staff personnel has also increased. For, in larger divisionalized companies, much of the service-type work that staff is identified with is carried on by the staff personnel within the divisions, leaving a smaller but more versatile staff at corporate headquarters.

This points up another aspect of the elaboration of corporate staff: the shift in emphasis from its role as primarily a service agency to an agency assisting in planning and control. This is especially evident in companies that have moved to a divisionalized type of organization. For in such companies, corporate staff takes on the major job of assisting in the formulation of over-all corporate objectives and policies. And it acts as the agent of the chief executive in measuring and appraising performance within functional specialties relative to the established objectives and policies. This shift in the basic duties of staff is only partly apparent in the titles of the emerging corporate staff units; it is far more obvious in the organization manuals and position guides that detail the responsibilities of corporate staff.

Possibly, the change in the rôle of corporate staff in a divisionalized and decentralized company might be more easily viewed from the perspective of the chief executive. For in a functional-type organization, coordination of the line elements of the organization—production and sales—is a major preoccupation of the chief executive or his delegate, the executive vice-president. But in a divisionalized organization, the chief executive delegates responsibility for coordination of what amounts to separate businesses to two or more division heads. However, if his aim is decentralization, rather than frag-

mentation, he attempts to set up objectives and policies that act as a cohesive and unifying force. Thus the chief executive concentrates on those responsibilities that affect the organization and its future as a total entity: determination of objectives and long-range plans, policy formulation, surveillance and control. And as the business becomes more complex, his requirements for more and better information to make the necessary decisions in these areas become greater. Corporate staff has been characterized by one large company as "the lobes of the brain" that make it possible for the chief executive to carry out these essential responsibilities.

The emergence of corporate staff as a major force in the planning and control of corporate objectives and policies has been characterized as recentralization—as a reaction to too much decentralization.[1] This charge, upon analysis, emerges as a half truth. Several situations seem to account for what has been loosely termed recentralization:

► Some companies attempted to set up "divisionalized, decentralized" operations without first establishing overall corporate objectives, objectives for each of their divisions, and corporate policies. When the results of such disorganization became evident, the companies sought to establish those unifying elements that had been lacking. In such situations, organization analysts argue that the company was not decentralized in the first instance; it was atomized.

► Far more frequently, however, companies that practice decentralization find the dynamics of organization bring about changes in the three basic factors that determine the level to which authority can be delegated in an organization. These are:

1. *Competence* — The competence of the person to whom authority is delegated to make decisions (and the confidence in his competence on the part of the person doing the delegating) is key.

2. *Information* — The person making the decision must have adequate and reliable information pertinent to the decision. Decision-making authority thus cannot be pushed below the level at which all information bearing on the decision is available.

3. *Scope of impact of the decision* — Authority can be delegated to the point at which the impact of the decision is purely local. If a decision affects more than one unit, the authority to make the decision rests with the manager accountable for the several units. Thus, if a decision made by one manager to grant wage increases, for example, set a precedent that affects other units, prior approval of that decision is called for by the head of all units that might be affected.

A position incumbent may fall short of the requirements of the job; or a new replacement may lack the required competence. Information required at a given level may no longer be available at that level. Decisions made by lower level heads may be found to have a widening impact. Or, for efficiency and consistency, the company may decide that a uniform course of action is necessary. Any of these situations may cause the company to withdraw some of the delegated authority. The result, of course, is less decentralization.

The term recentralization, as opposed to decentralization, serves to emphasize a basic point—decentralization is a matter of degree and it varies from one company to another; it also varies within a given company, where certain organizational units may exercise a higher degree of delegated authority than others.

There are other problems companies face as a result of the elaboration and changing role of corporate staff. One of them is deciding on the types of controls that can be used while still maintaining a decentralized organization. It is possible for central staff, in the name of control, to set up detailed audits and reporting procedures that amount to a constant check on the division heads. The alternative that is stressed by organization planners is control or appraisal of performance on the basis of established objectives and accountability for results.

Another problem arises from the fact that, in a divisionalized organization, corporate staff heads tend to be less involved in serving operations than under a functional type of organization. Also, former heads of such traditionally line functions as manufacturing and sales may now find themselves heading a corporate staff unit in manufacturing or marketing. In both cases, changes in relationships and methods of operation are called for. Reports from companies indicate that not all the executives find it easy to make this adjustment.

EMERGENCE OF GROUP EXECUTIVES

As divisionalized companies increase the number of product divisions, effective coordination of the separate divisions becomes a greater problem. A fairly common organizational solution many companies have used, and still use, is to create the position of an executive vice-president in order to ease the load of the president. In some companies, the executive vice-president coordinates staff activities. Far more often, he coordinates the operating units or divisions while the president retains

[1] See, for example, "Top Management Tightens Control," *Dun's Review and Modern Industry,* July, 1959.

direct supervision of the corporate staff units vital to his over-all planning and control responsibilities.

However, with the proliferation of product divisions and corporate staff units, some companies are finding that even an executive vice-president cannot adequately provide the required direction. So they have added general executives accountable for the performance of two or more product divisions that are somewhat related in terms of production, technology or markets served. Most often, these executives carry the title of group vice-president or group executive. In some companies, group executives constitute an additional level between an executive vice-president and product divisions; in others, they apparently function in lieu of an executive vice-president. Incidentally, the group executive is not restricted to large firms; it is also found in some smaller companies that participated in the Board's survey.

In a few companies a position somewhat similar to that of group executive also appears at the corporate staff level. Two, three, or more corporate staff units may be grouped together under a senior vice-president, or a position titled vice-president, administration.

Cutting down on the chief executive's span of control is the reason most frequently given for the increased number of group executives. But among the factors affecting span of control, those that seem most relevant to the decision to set up a group executive are:

- *Increased demand on the chief executive's time* — When external relations and over-all responsibilities rise to the extent that the top man no longer has adequate time to remain in personal contact with major unit heads, the new level is created to act in lieu of the chief executive.
- *Increased interaction between divisions* — When the objectives or plans of several divisions begin to have greater effect on each other — possibly by virtue of overlapping markets — closer coordination is provided by means of a group executive.

For many practical purposes the group executive, like the executive vice-president, may be likened to an assistant president (rather than assistant to the president) so far as the divisions reporting to him are concerned. And, as is often the case with assistants, the responsibilities and authority of the group executive are not always clearly defined. Nor is the impact of this additional level on the jobs of the subordinates clearly spelled out. It certainly cannot be perceived from an examination of the charts of the companies that use this position. But judging from position guides and organization analyses, some companies attempt to have it clearly understood that the division heads' accountability for profitable performance and the attendant authority are in no way diminished by the insertion of a group executive. The group executive in these companies exercises some of the authority formerly reserved to the president relative to divisional operations. However, while there is no lessening of the formal authority of the division heads in such cases, it is recognized that psychologically the division head may feel he has less "authority" (in a prestige sense) because he is one level removed, or one level further removed, from the president.

THE CHIEF EXECUTIVE'S OFFICE

The elements so far discussed can be viewed as being used by the chief executive to manage a growing and increasingly complex business. All three are means of allowing the chief executive to devote more of his time to those responsibilities that are uniquely reserved to him.

Some of the unique responsibilities of the chief executive have already been mentioned or at least implied in the preceding discussion. Organizational analyses point to the following as the hard core of the chief executive's reserved responsibilities:[1]

- *External relations*—The chief executive *is* the company so far as external relations with the public, stockholders, government and business associates are concerned.
- *Objectives and long-range planning*—The chief executive determines appropriate long- and short-range objectives, and plans for their accomplishment.
- *Over-all policy formulation*—The chief executive sets the code of ethical conduct that the company will adhere to in pursuit of its objectives.
- *Surveillance and control*—The chief executive sees to it that all components of the organization are moving in the direction of established objectives and that they are conforming with corporate policies.
- *Development of a successor*—The chief executive assures the continued survival and perpetuation of a company by developing the next chief executive.

There seems to be little question that the nature of these reserved responsibilities are the same for a chief executive of a small company, a medium-sized company or a large or very large company. But there also seems to be little question that, as the company grows in size and complexity, the growing scope of these reserved responsibilities becomes of such a nature that they are beyond the capabilities of one man. External

[1] For a fuller discussion of these reserved responsibilities and some of the organizational devices used by the chief executive, see "Organization of the Chief Executive's Job," *Management Record,* February, 1961.

relations may so preoccupy the chief executive of a giant enterprise that he has inadequate time for his other responsibilities. Or, at different stages of development, any one of the other responsibilities may demand the full attention of the chief executive.

Not only does the scope of the reserved responsibilities grow beyond the capabilities of one man, but the abilities required for their performance become so increasingly varied that one individual cannot supply them.

It is evident from an analysis of the more than sixty organization structures that companies—or, more particularly, chief executives—are using several methods to cope with this situation. All take the form of elaborating the office of the chief executive so that the reserved responsibility—the "chief executive function" —is being performed by more than one man. Accountability still rests with the chief executive officer alone, but the function, it might be said, is "decentralized."

One fairly widespread method, by no means new, that chief executives adopt is the use of personal staff assistants. In some companies the responsibilities of these assistants are rather general. They carry out whatever jobs, of a temporary or a continuing nature, the chief executive may assign to them. In others, the assistants tend to specialize in specific fields of interest that the chief executive has reserved for himself: i.e., organization planning and technical and market development. The distinction between these more specialized staff assistants and corporate staff units is not always sharp. Often, the assistants provide functional assistance to other units of the organization. Their major emphasis, however, appears to be on studies or plans, sometimes of a confidential nature, that fall within the reserved responsibilities of the chief executive.

Another method that appears quite frequently among the participating companies amounts to an upgrading of the president-executive vice-president combination: An increasing number of companies are allocating the chief executive function to a chairman of the board (designated chief executive officer) and a president (sometimes designated chief operating officer or chief administrative officer). In some companies there is a definite split in the responsibilities of the two men, but quite often they "share the same box" and also the responsibilities.

In a very few of the companies studied, not just two but three (a chairman, president and executive vice-president) and even four men (a chairman, president and two executive vice-presidents) share this top box and the duties of the chief executive.

Still another method of coping with the increased complexity of the chief executive function calls for the creation of a council of top executives to carry out the function. Of course, the concept involved here cannot be adequately depicted on any chart. But, in a few of the companies studied, a special charting device is used to emphasize this idea. One box labeled "executive office" or "executive management" or "office of the president" appears at the top of the chart. It includes not only the chief executive and the executive vice president(s) but also those group and general staff executives accountable for coordinating the operating and corporate staff components of the business.

In effect, the group or general staff executives that compose this top council wear two hats: as group or general staff executives they are accountable for the performance of the units reporting to them. But, as members of the executive office, they lose their identities as line or staff men and become, to quote one company:

"A group of executives free of detailed administrative and operating matters to assist the president in policy development and the over-all leadership and coordination of the company's business and management."

Having men with specified areas of functional and business responsibilities and with complementary abilities in the "office of the president" is viewed as assuring more adequate consideration of all factors that bear on any over-all decision. And, instead of the chief executive function being the sole responsibility of the chief executive officer, it becomes the responsibility of a composite personality—the chief executive office. The chief executive officer has the job of coordinating the component parts of this office and giving direction and purpose to their work so as to reach the objective for which he is accountable.

HAROLD STIEGLITZ
Division of Personnel Administration

Management Bookshelf

Studies in Business Organization: A Supplement to "Business Enterprise"—In this book, top executives in ten British enterprises present their analyses of the organization and development of their firms. The papers are organized into three categories: one highlighting the role of "skill and luck," another analyzing the decision-making process, and the third examining "government participation in industry." *Edited by Ronald S. Edwards and Harry Townsend, St. Martin's Press, New York, New York, 1961. 160 pp., $5.75.*

Charting Management Manpower Plans

A replacement chart cannot substitute for the careful evaluation of performance and potential. Its chief value lies in being able to summarize the available data

AN ADVANTAGE of working in a small company is that everyone knows one another. Each manager knows what the jobs of his fellows are; each of them has a pretty clear idea of his relationship with the other men. But as companies grow in size, some of this advantage is lost. Men may not know all of their colleagues; one man may have only the foggiest notion of what another really does. Relationships between jobs often become blurred.

To clarify the relationships and responsibilities, larger companies often use written position guides and organization charts. They recognize that the guides are not really complete descriptions of a job and that there are many important relationships that cannot be represented by lines connecting boxes on a chart. But the charts are useful in providing a quick picture of the organization and its formally established lines of communication and authority. They make it easier to understand the components of each job and the way the company actually operates.

Similarly, smaller companies usually do not need formal procedures for identifying good men and following their progress. The managers know each other's strengths and weaknesses, and senior managers are able to bring this information to bear when deciding who is to be transferred, promoted, or assigned new responsibilities. In larger firms, these judgments about performance and capability often become the object of formal management manpower inventory systems, manning tables, and replacement charts, which help to summarize a lot of details about the firm's personnel, just as the organization charts provide a quick reference to its formal lines of authority.

WHAT'S ON A REPLACEMENT CHART?

The data that appear on company replacement charts vary considerably from one company to another. An examination of the company charts in THE CONFERENCE BOARD's files shows that the needs of a firm dictate just what information will be included on its chart. While the forms used to illustrate this article are composites of many company forms in the files, none of these particular "boxes" is used by any company.

A box, such as in Figure 1, often appears on organization charts. It shows that there is a position called "Manager, Sales" and that a man named Mel Murray fills the job. The lines at the top and bottom would probably connect with other boxes to indicate formal reporting relationships with superiors and subordinates. But the figure doesn't tell very much more.

Figure 2 adds a code indicating present performance: Murray is considered to be doing an outstanding job. Of course, one can't tell from this form just why he has been given that rating, or what his chances would be for succeeding in other types of work. Presumably the rating is based upon specific evidence of his ability and performance; if more information were needed, one would turn to that evidence.

The second code in Figure 3 provides further information. Murray not only is doing outstanding work at present, he is also considered capable of advancement provided he receives further training. The box does not show what training is needed or what job he might advance to, however.

Figure 4 not only provides more information about Murray, it presents a new type of information about the job. Murray is forty-seven years old—old enough to have gained considerable maturity but still young enough to have many good years ahead of him. However, the box now also indicates that there is one man who could probably take over the sales manager's job immediately if Murray were to move up, and another who would need further training before stepping into Murray's position. The ages of the replacements look all right too. The men seem about ready to be considered for the job when it becomes available.

Figure 5 is a current replacement chart for the Whiteside Manufacturing Company, a hypothetical firm manufacturing and marketing household and industrial fans. Just what does the chart say about the company? What can be learned from studying it? And, equally important, what doesn't it say?

The replacement chart bears a strong resemblance to the Whiteside organization chart and is, in fact, an expansion of it. The majority of actual replacement charts in the Board's files are similarly built upon the frame-

Figures 1-4: The Evolution of a Chart "Box"

FIG. 1

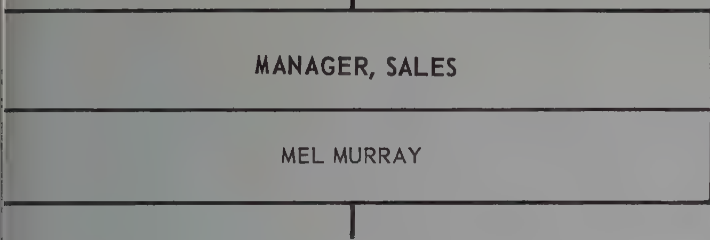


FIG. 2

FIG. 3

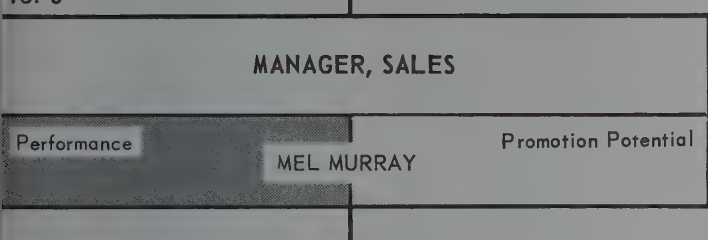
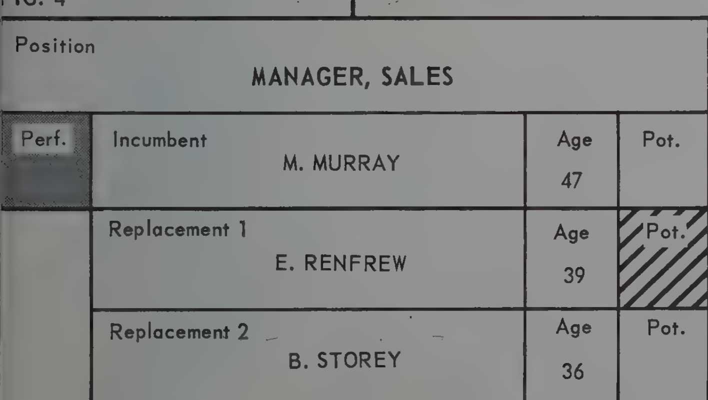
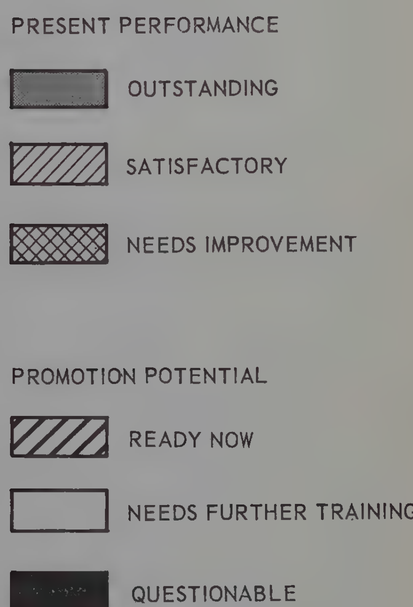
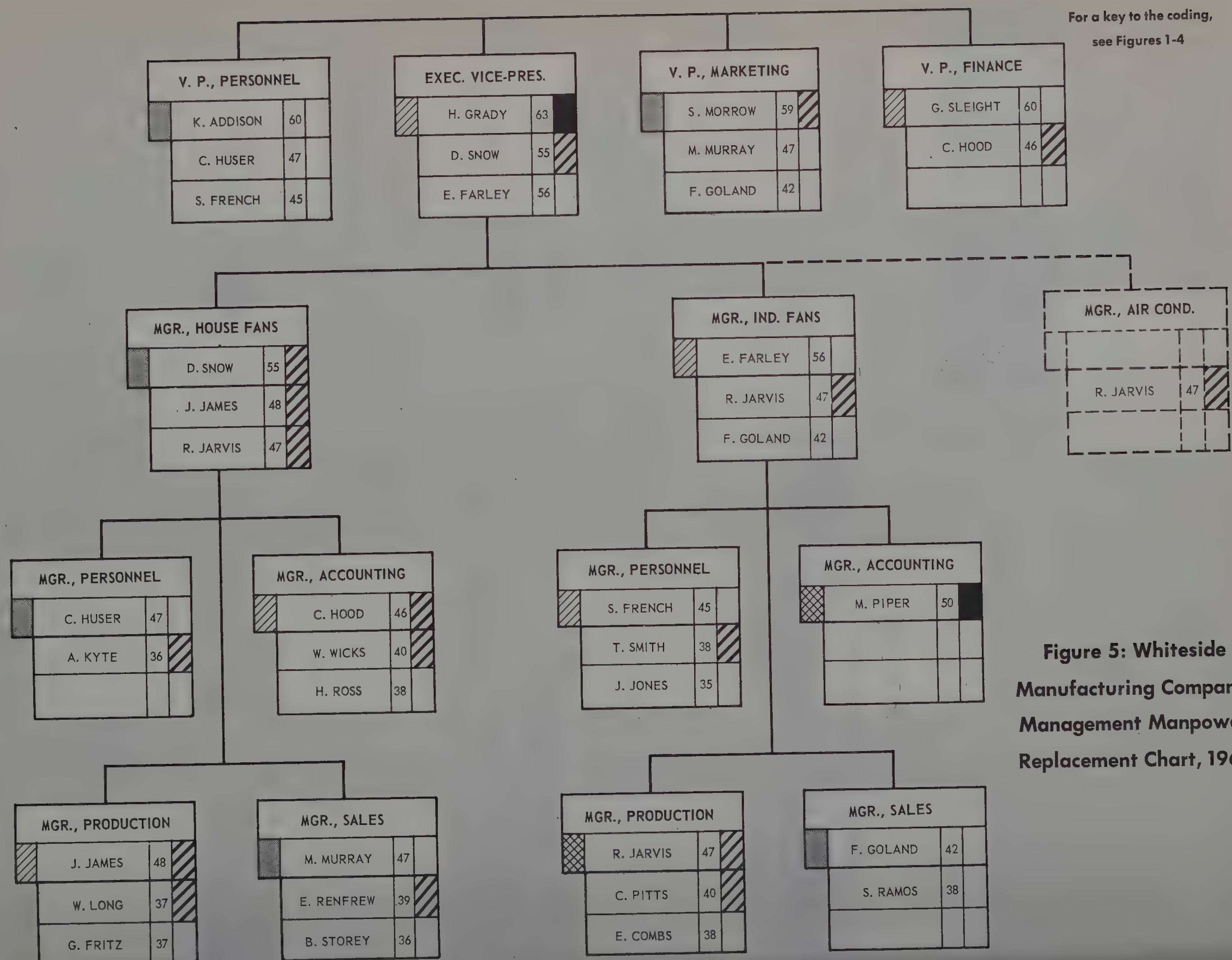


FIG. 4







For a key to the coding, see Figures 1-4

Figure 5: Whiteside Manufacturing Company Management Manpower Replacement Chart, 1961

work of company organization charts. The reason for this is that promotion and transfer very often, although not invariably, follow the lines of formal authority. The lines then represent routes of progression as well as reporting relationships. An organization chart, in a sense, is a very simple replacement chart, with almost all of the significant detail omitted.

One difference from most organization charts is immediately apparent. This chart shows a position that does not now exist. Whiteside is considering expanding into the air conditioning field. No decision has yet been reached but a thorough study is being made. Part of the study is concerned with the company's ability to operate in the new field. The chart shows that there is a man already in the company, Ray Jarvis, who is thought capable of taking charge of operations if it is decided to expand.

As far as current operations are concerned, the household fans division appears to be in pretty good shape. Two of the men have "satisfactory" ratings on present performance and three are rated "outstanding." There is a ready replacement for each of the men and two men are thought to be ready to step into the key spot of division manager if Mr. Snow should be moved. All in all, Dan Snow can take pride in this part of his manpower planning. It probably helps to account for his own "outstanding" performance rating since, as division manager, he has the over-all responsibility for manpower planning for his division.

In the industrial fans division, however, things are not so good. Only the sales manager is doing an outstanding job while the performance of two men needs improvement. There are ready replacements for two managers, but there is no one who is thought capable of replacing Mr. Piper, the manager of accounting—and it seems possible that Mr. Piper will have to be replaced. With a situation like this in his division, Ed Farley must be doing a very good job of fulfilling his responsibilities in other areas to achieve an over-all rating of "satisfactory."

The Case of Ray Jarvis

The situation of Ray Jarvis, the production manager in the industrial fans division, looks peculiar. His present performance is rated as needing improvement but he is considered immediately ready for promotion. Looking up the line, the situation becomes even more paradoxical, for he is charted as a potential replacement not only for manager of both existing divisions but as the man most likely to head the new air conditioning division if it is created.

Several possible explanations drawn from different companies' experience may be cited to explain this. The following are the ones most frequently offered:

- Jarvis' poor performance is due to unusual circumstances over which he has no control. From past performance, the company knows that he is a good man and is basing his promotability rating on that past history.
- Jarvis is a good man who has only recently been moved into production. He has not yet had a chance to produce the results expected of him once he gets going.
- Jarvis isn't doing a particularly good job in production because he is not good at the details of that function. He is known as an excellent administrator, however, and therefore it is the company's opinion that he would be a better division manager than production manager.
- Jarvis has been an excellent production manager in the past. He is clearly capable of greater responsibilities. Recently his performance has slumped simply because he has been in the same old job too long; he has become bored with the routine and needs the stimulation of new challenges to be faced.

The last explanation is the one that squares most accurately with the "history" of Ray Jarvis in the Whiteside Company. All of them, however, have been suggested by experienced managers as possible explanations of why a chart could show the combination of ratings that this one does.

How Much Depth?

On one score the chart seems to be encouraging. The company has "replacements in depth." Most positions have two replacements identified. For ten of the fifteen jobs at least one of the replacements is ready now. It appears that the future is secure.

Suppose, however, that two things happen. Whiteside decides to expand into air conditioning and Henry Grady, the executive vice-president, whose heart has been troubling him, retires early. Neither of these would be unusual events. A number of shifts could then take place.

Jarvis would most likely go to the new division and Pitts would probably move up to replace him. Snow might well become executive vice-president with Joe James moving up to head the household fans division. What "depth" would remain after these shifts?

More than half the jobs would have only one man identified as a replacement. Instead of ten, only six of the fifteen jobs would have someone ready to take over immediately. For the key job of manager of household fans, James would have no backstop at all.

If Farley should be disgruntled over missing the

chance for the executive vice-presidency and leave the company, the situation would become even worse. Goland would probably have to move into Farley's old job, with Ramos replacing Goland, even though neither is considered ready for such a move without more training. Then there would be no backstop for either the executive vice-president, the division managers, or accounting or sales in the industrial fans division. When shifts have to be made, "depth" can become shallow very quickly.

This does not mean that even greater depth must be planned for each job. Companies consulted by the Board agree that it is unwise to have too many men in the line of succession for any job. But the hypothetical situation does underscore the need for advance planning and the constant search for managerial talent to be developed. It takes time to develop adequate reserves, and constant attention to keep the number adequate.

The Route of Advancement

Advancement is usually thought of purely in terms of promotion—and promotion is usually thought of as taking over the boss' job. Whiteside's chart does show these routes. But there are other possibilities as well. For instance, the staff managers of personnel and accounting in the two divisions are charted as replacements not for their bosses, the division managers, but for the vice-presidents heading the corporate staff units in their specialized fields. The line sales managers may also become staff men; they are shown as backstops for the vice-president, marketing. However, Goland, the sales manager for industrial fans, may move either in the line or into the staff; he is charted as a replacement for both Farley and Morrow.

While Whiteside's chart does not show it, staff men do not always remain in staff positions. Companies questioned by The Conference Board report that many of their personnel, accounting, engineering, or other staff specialists have developed broad enough abilities to be moved into responsible line management positions. An advantage of replacement charts is that such routes for advancement, which may not be the most obvious ones, can be indicated so that the availability of a good staff man for a line spot is not overlooked.

An "advancement" need not always be a "promotion." It might be the enlargement of a position a manager currently holds, through the addition of challenging new responsibilities. It might be a lateral transfer to a position that is on the same organizational level but that still is a bigger job. For this reason some companies use "readiness for larger responsibilities," or some equivalent phrase, instead of "promotional potential." These companies feel that it is important to emphasize the capability to take on more demanding work and not concentrate attention only on moving upward in the company hierarchy, even though that is the form that advancement most often takes.

CHARTING MORE DATA

In spite of all the information that the Whiteside chart does show, there are still a lot of data that are not charted. A comparison of Figures 4 and 6 shows some of the information that many companies consider relevant to their manpower plans.

Figure 6 provides more data that might be pertinent to shifts of personnel involving the position of sales manager than do the boxes on the replacement chart. One can see that the position is not an immediate problem, since Murray is doing an outstanding job, but that it might be vacant in a year or so when he will be ready to move along. To these data, which appear on the replacement chart, has been added Murray's current salary and the salaries of his most likely replacements, to highlight the financial aspects of possible shifts, both from cost and motivation standpoints.

The present positions and lengths of employment of both replacements are noted and the specific training the replacements will need to prepare for this position is given. The comments about the training and when the men will be ready apply only to this position. If the names of Renfrew and Storey appear as replacements for other jobs, different training needs and readiness would most likely be noted on those forms.

The type of "box" in Figure 6 is seldom seen on a replacement chart, however. The amount of detail it includes cannot be taken in at a glance. Thus it detracts from the real advantage of a replacement chart—summarizing the most pertinent information about a large number of jobs. This type of form is used by a number of companies as an individual record card maintained for each management position. Thus it supplements the information on the replacement chart when attention is focused upon shifts into or out of a particular position.

Figure 7 illustrates still another approach to the recording of replacement information. This form is geared to the man rather than to the job. It not only provides a good deal of summary information about his present performance and evidences of growth toward more responsible positions, but it also records the positions to which he might move and the training that he will need in preparation for the moves. This type of form is often used by companies as a summary card in the management manpower inventory file kept on each manager.

As was said before, the data that appear on company

Figure 6: Detailed Position Replacement Card

Position			
MANAGER, SALES			
Performance	Incumbent	Salary	May Move
Outstanding	Mel Murray	$22,000	1 year
Replacement 1		Salary	Age
Earl Renfrew		$17,000	39
Present Position		Employed: Present Job	Employed: Company
Field Sales Mgr., House Fans		3 yrs.	10 yrs.
Training Needed			When Ready
Special assignment to study market potential for air conditioners to provide forecasting experience.			Now
Replacement 2		Salary	Age
Bernard Storey		$16,500	36
Present Position		Employed: Present Job	Employed: Company
Promotion Mgr., House Fans		4 yrs.	7 yrs.
Training Needed			When Ready
Rotation to field sales NICB Marketing Conference in fall, '61			2 yrs.

replacement charts or inventory forms vary considerably from one firm to another, according to the specific needs of the firm. One company, for instance, may be concerned about the poor age distribution of its management group. Most of the managers may be about the same age. In making promotions and transfers, this company would most likely pay particular attention to age in order to achieve a better distribution. Therefore, age would be one relevant factor to include even in the brief summary data on the replacement chart. Other firms, in which there is a good balance of ages, may not include age on the chart although it would, of course, be on an individual manager's inventory record.

In another firm mergers may have brought a group of unknown managers into a new corporate structure. Present performance may be the most important element to highlight on the forms used in this situation.

Manpower managers say that they can only determine what should be included on a replacement chart by an analysis of the needs and the specific situation of a particular company. No standard format can serve in all cases. The design of an effective chart can only grow out of consideration of the data that the company needs to plan its manpower requirements and to maintain control over the execution of the plans.

The replacement chart cannot solve replacement problems. It can only indicate a firm's readiness to adapt to change and its plans for making changes.

And the chart can do that only if long-range organization plans have been made and if the company has obtained information about the adequacy of existing personnel to fill future requirements. Few companies view the chart as a substitute for an adequate performance appraisal system, for the maintenance of a manpower inventory, or for the planning that determines the nature of the organization that must be staffed in the

Figure 7: Management Inventory Card

Name	Age	Employed
Murray, Mel	47	1945
Present Position		**On Job**
Manager, Sales (House Fans Div.)		6 yrs.
Present Performance		
Outstanding - exceeded sales goal in spite of stiffer competition		
Strengths		
Good planner - motivates subordinates vary well - excellent communication		
Weaknesses		
Still does not always delegate as much as situation requires Sometimes does not understand production's problems.		
Efforts to Improve		
Has greatly improved in delegating in last 2 years; also has organized more effectively after taking a management course on own time and initiative.		
Could Move To		**When**
Vice-president - Marketing		1963
Training Needed		
More exposure to problems of other divisions (attend top staff conference?) Perhaps university program stressing staff role of corporate marketing vs. line sales.		
Could Move To		**When**
Manager - House or Industrial Fans Division		1964/5
Training Needed		
Course in production management; some project working with production people; perhaps a good business game somewhere.		

years ahead. This prior work, companies stress, provides the basis for the chart's usefulness.

The value that companies see in a chart is that it can summarize all that data. It permits a division manager or a corporate executive to see at a glance the general outline of a division's or a company's preparations for management change. It can highlight danger spots, so that corrective action can be taken, or it can show that the situation is under control. It is of least importance when making individual shifts, for the men concerned with making the decision usually are familiar with t details at first hand.

The chart, in short, is not a blueprint for the prom tion of any man or for the change of any job. Rather is a device for long-range management manpower pla ning and control. And, when used in this way, the cha has been found by many companies to be a valuab addition to the kit of management tools.

WALTER S. WIKSTROM
Division of Personnel Administrati

Explaining Salary Programs to Salaried Employees

IT WAS about 1940 — twenty-one years ago — that what is today known as salary administration began to emerge as a new management function. Since that time it has gained broad recognition and stature.

The history of salary administration is tied directly to the development of formal job evaluation. Although a few scattered plans were developed in the 1920's, job evaluation really got its start in the 1930's. In those early years, the accent was on the evaluation of hourly rated production jobs, with only a few pioneering companies extending the newly developed technique to salaried positions.

In 1940, THE CONFERENCE BOARD published its first comprehensive study on the progress being made in the area of job evaluation. In that study, the status of job evaluation as it then existed was reported as follows:

"A considerable number of companies have employed formal job evaluation successfully over a period of five years or longer in establishing wage differentials. Fewer companies have gained long-term experience in dealing with salary differentials, but successful applications affecting wage earners are being extended in many companies to include salaried employees."[1]

RESISTANCE TO JOB EVALUATION

Job evaluation did not win ready acceptance. There were the nonbelievers and the scoffers. In early 1944, at a Conference Board meeting on the principles and application of job evaluation, there was considerable emphasis on the obstacles yet to be overcome. Among those obstacles cited were:

- Resistance of the employees—they had to be sold on the idea.
- Resistance of foremen and supervisors—they had to be convinced that job evaluation would not hinder them and rob them of authority.
- Resistance of the union steward—he had to be assured that job evaluation would not undermine his status.
- Resistance of the evaluation committee—its members had to be absolutely convinced of the soundness of its objectives and the need to arrive at a plan which was sufficiently simple to be understood.
- Resistance of management—management had to be convinced that job evaluation was worth the cost not only of installing the plan, but of making the pay adjustments which inevitably followed. Moreover, there were many executives who were skeptical of the need for evaluation; they tended to view it as a gimmick which could not replace the methods long used for determining wage and salary rates.

Despite resistance, job evaluation continued its growth, receiving great impetus from the imposition of wage and salary controls at the time of World War II. Companies with established wage and salary ranges based on some form of evaluation found themselves in the most advantageous position. Many others rushed "to get their houses in order."

From an historical bird's-eye view, the use of job evaluation for production workers became widespread by the late 1940's, while job evaluation of salaried positions lagged behind. Gradually, however, job evaluation was extended to salaried employees, first through the classifications of clerical employees, and then into the ranks of managerial and professional personnel. Today some companies carry formal evaluation up through the position of chief executive officer.

REVEALING WAGE AND SALARY RANGES

During the twenty-year development of job evaluation a great many problems in addition to resistance were encountered. One was the extent to which employees should be informed of the precise rates of pay established for their own jobs and the jobs of others. On this question there are no statistical data upon which to base a firm conclusion on company practice. It would appear, however, that companies have been steadily moving in the direction of revealing established rates of pay.

To some extent rates of pay have been *forced* into the open. As late as the 1930's many companies still considered their wage rates for production workers con-

[1] "Job Evaluation—Formal Plans for Determining Basic Pay Differentials," *Studies in Personnel Policy*, No. 25, p. 4.

fidential information. But with the growth of collective bargaining, wage rates more and more frequently became a part of written labor agreements and were circulated by unions, if not by companies. Those who feared repercussions as a result of the disclosure of wage rates found that some of their fears were justified because disclosure of rates was often followed by a rash of claimed inequities. After an initial period of stress and adjustment, however, the clamor subsided.

For clerical employees it would appear that the trend has also been in the direction of disclosing pay rates, but to a lesser degree. Some companies have done so "as a matter of principle." Others have been inclined to follow suit because of the belief that if they did not provide the information voluntarily, pressure would be brought to bear. Still others, however, are firmly convinced that in their own circumstances it would be unwise to reveal pay ranges, believing that possible advantages would be outweighed by the disadvantages. In addition, some companies have not established pay ranges, or the ones they have established are so flexible that the firms would not be able to disclose them even if they desired.

STATUS OF EXEMPT SALARIED

While it is reasonably clear what has happened in the case of production and clerical workers, little information is available on the extent to which companies now reveal salary ranges of managerial, administrative and professional employees who are exempt under the provisions of the federal Wage Hour Law. For this reason, THE CONFERENCE BOARD asked fifty-five companies to what extent they informed salaried employees about the company salary program, in general, and about the employees' salary ranges, in particular.

The companies selected are not typical or representative. Instead, they are known to have been active in the field of salary administration over a period of years and for that reason are more representative of the pace setters than the average. The findings, of course, should be considered in that light.

Each cooperating company, in reporting its practices, was asked to visualize a hypothetical salaried employee who is in the lower or middle exempt class (such as a supervisor, engineer or accountant) and who is working on a job for which a salary range has been established. If practices in the company vary, each cooperator was asked to select a hypothetical employee who is most representative of that company. In this way THE CONFERENCE BOARD endeavored to avoid the confusion that might arise if either salaried clerical employees or top executives were included. A review of the information provided by the cooperating companies indicates that the intended level of the hypothetical employee had been properly interpreted to include the bulk of exempt employees, but not those at high management levels, for whom different practices might apply.

Of the fifty-five companies included in this study, fifty-two companies, or 95%, do explain their salary administration program to the hypothetical employee. Of these, forty-three explain orally, three in writing and six both orally and in writing.

When the explanation is oral, the usual practice is to have the salary program described by the individual to whom the employee reports or by the head of the department in which he works. In either event, the person making the explanation is generally provided with a written guide or procedure manual which suggests what the explanation should include. Typically, it is suggested that employees be advised of the company's desire to pay salaries which are as high as those generally prevailing, and which properly reflect the position requirements as well as the performance of the individual. In this connection, it is usually explained that the salary structure is based upon a system of evaluation to assure proper internal relationships, that there are ascending levels of grades or classes, that salary surveys are conducted periodically to assure proper relationships with the salaries other companies are paying, and that the progress of the individual is periodically reviewed. Some explanations also include a general description of the evaluation process, along with a listing of the factors—such as knowledge and experience—which are taken into consideration in the evaluation.

Several of the companies making oral explanations concede that those who actually describe the programs may go into considerable detail or just hit the high spots, depending upon the people involved and the circumstances. These companies, however, look upon this more as an advantage than as an objection to the oral presentation.

Who Explains Salary Program?

In a few of the companies the salary program is described by "an outsider," such as a member of the salary administration staff. In one company, for example, a salary administrator meets regularly with a group of new employees and newly promoted employees for the purpose of giving them an understanding of the company's salary program, with charts and slides used liberally to assist in the explanation. In another company the salary administrator holds occasional meetings to which salaried employees are invited and at which they are encouraged to ask any questions they may have concerning the program.

As already noted, of the fifty-two companies that inform employees of their salary program, three explain it in writing only, while six make the explanation both orally and in writing. Written explanations range from a concise statement defining the company's intent to a more comprehensive description of the salary structure and the use of ranges, surveys and other procedures by the company to assure equity. Examples and excerpts of these written statements are reproduced in the appendix which begins on page 42.

Most Reveal Maximum Rate

Of the fifty-five cooperating companies, thirty-nine, or 71%, tell the employee the maximum salary for the position he currently occupies. Of these, fifteen give this information to the employee as a matter of course, while twenty-four give it only at his request. One company that does not explain its salary program is, nevertheless, willing to tell the employee his maximum rate, while five companies that explain the program do not disclose the maximum rate. Only one company indicates that at one time it had disclosed the maximum rate, but no longer does so.

While the companies are preponderantly in favor of informing employees of the general nature of the salary program, a lesser number reveal the maximum rate. Obviously there is more divergence of opinion on the wisdom of revealing the maximum rate than on informing employees of the general nature of a salary program.

Some of the companies do not reveal the maximum rate because they believe it tends to place a ceiling over the employee and, in that way, diminishes motivation. They also point out that individuals are frequently promoted before they reach a maximum; therefore, as far as these individuals are concerned, the maximum rate does not really apply. Furthermore, some companies say, the maximum rate may be adjusted, usually upward because of economic change, which means that the employee must either be told of the new maximum or remain misinformed. They question the wisdom of informing each and every salaried employee whenever there is a change in the salary structure.

Those who disclose the maximum rate support their position with equal conviction. As a matter of principle, they believe that if there is a maximum applicable to the employee's position, the employee is entitled to know of it. They contend that an informed employee is more likely to be a good employee, the fewer secrets the better. They believe that anything kept under cover is likely to be viewed with suspicion, adding that if the salary structure is sound and if it is true that the company is living up to its pledge to pay competitive salaries, then the employee can be motivated constructively by giving him the facts. Several companies say that they are proud of the salary ranges available to their employees and they are eager to have employees share this knowledge.

Of the fifty-five companies, forty-seven, or 85%, tell the employee when he is at or near the maximum, but some give this information only when the employee requests it. Included in the forty-seven companies are eight who do not tell the employee the maximum rate under ordinary circumstances. Thus, precisely half of the companies (eight out of sixteen) that don't ordinarily inform the employee of the maximum rate, nevertheless do so when he is approaching the maximum.

Of the fifty-five cooperating companies, twenty-four, or 44%, will tell the employee, on request, the range of another salaried job, if he is not on a "fishing expedition." Without exception, companies give such information only when the other job is one to which the employee might logically seek promotion. Some of these companies further specify that such information is revealed only when a promotion is impending and is actually being discussed with the employee. Several companies also report that if the promotion is into the higher ranks of management where ranges either do not exist or are flexible, then obviously a maximum rate for the higher position could not be discussed.

GEORGE W. TORRENCE
Division of Personnel Administration

Management Bookshelf

Doctors, Patients, and Health Insurance—This volume is a comprehensive survey of the organization and financing of private medical care in the United States. The book begins with an examination of the technological revolution in medicine as it has affected the structure of medical practice, the development of the modern hospital and the new role of the drug industry. A section is devoted to the nature of the revolution in demand for medical care and to the changing "medical marketplace," accenting the rising cost of medical care, the role of health insurance and the impact of employee benefit programs. A major portion of the book is devoted to the various programs for private health insurance and the basic problems that have developed, particularly the problems of costs and controls and medical care for the aged. The volume closes with an examination of the critical areas for public policy decisions. *By Herman R. Somers and Anne R. Somers, The Brookings Institution, Washington, D. C., 1961, 576 pp., $7.50.*

The Growth in Corporate Pension Funds

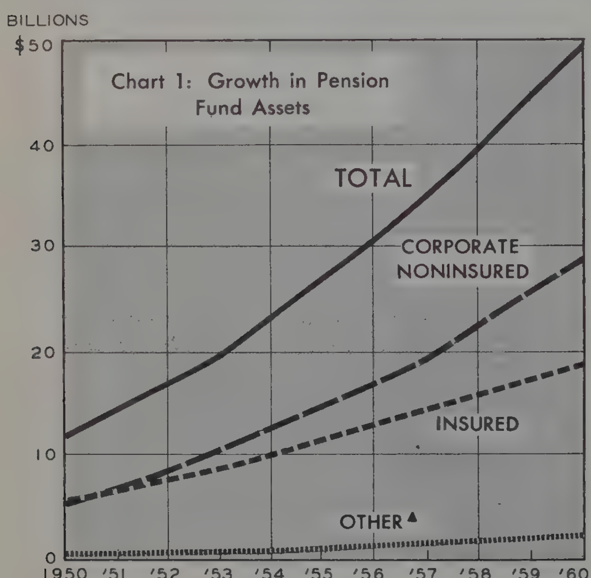
Corporate noninsured pension fund assets have increased fourfold in the last decade. Significant changes in the funds' investment portfolio are analyzed here

SHARP and sustained growth in private pension plans is one of the significant economic features of the 1950's. This expansion is reflected in every aspect of private pension plan development, whether it be the number of workers covered by plans; or the number of retired persons receiving pension checks; the amount of money flowing into pension funds; or the amount of benefits paid out. But nowhere is it seen more strikingly than in the quadrupling of private fund assets over the decade.

At the end of 1960, reserves held by private pension funds approached $50 billion; they totaled somewhat less than $12 billion ten years earlier.[1] During the same period, public pension funds increased from about $26 billion to $56 billion, a considerably smaller rate of growth than that displayed by private fund assets.[2]

[1] The total includes assets of deferred profit-sharing plans but not assets of health & welfare plans or bonus plans.

[2] Public pension fund assets include the federal OASDI reserves, the assets of the Railroad Retirement System and the funds for federal, state and local government employees.



▲ Noninsured plans of nonprofit organizations, multiemployer and union-administered plans; 1960 figures estimated.
Note: Based on book value.
Source: SEC

Within the private pension plan sector, the noninsured pension (and deferred profit-sharing) funds of United States corporations grew faster than other types of pension funds, as Chart 1 shows.

► Assets (at book value) of corporate, noninsured funds multiplied five times during the decade to enter 1961 at $28.7 billion, compared to $5.5 billion at the end of 1950.[1]

► Reserves for insured pension funds were $5.6 billion at the beginning of the decade and $18.7 billion at the end, an increase of 234%. With assets slightly in excess of corporate, noninsured funds in 1950, insured funds have lost ground each year since then and by 1960 were $10 billion behind.

► All noninsured pension funds except those of private corporations grew from about half a billion dollars to over $2 billion.[2]

This article, based on statistics released by the Securities and Exchange Commission, describes some of the major developments in the noninsured pension funds of private corporations.[3]

HOLDINGS SHIFT CONSIDERABLY

Between 1951 and 1960 the corporate pension funds portfolio has undergone significant changes, as is indicated on Chart 2.

The one steady factor has been corporate bond

[1] Corporate, noninsured funds include all pension and deferred profit-sharing funds except those administered by insurance companies and unions, and those of nonprofit organizations.

[2] These other noninsured funds include reserves of multiemployer funds, nonprofit organizations and union-administered plans.

[3] A sample of these corporate, noninsured pension funds has been surveyed annually by the Securities and Exchange Commission since 1955. The original SEC report, "Survey of Corporate Pension Funds, 1951-1954," dated October 1, 1956, contains a description of the survey methods and coverage of the data. Many of the figures shown for 1951-54, however, were later revised to reflect information received on additional funds, chiefly profit-sharing plans with retirement provisions. The revised 1951-54 data may be found in "Corporate Pension Funds, 1956," Statistical Series Release No. 1474, dated August 15, 1957. Figures for 1955 through 1960 are given in "Corporate Pension Funds, 1960," Statistical Series Release No. 1750, dated May 3, 1961.

holdings. Increased investments in corporate bonds kept pace with increases in total assets, with the result that they have been the backbone of pension reserves, fluctuating around 50% throughout the decade.

The dollar investment in United States Government securities actually declined slightly. Such a decline in the face of a rising dollar total means that these securities plunged from 32% to 7% of corporate pension fund assets.

Recently, mortgages have begun to receive attention from corporate pension funds. In the five years since data on mortgage investments were first published separately, dollars so invested have quintupled. Mortgages accounted for 2.6% of corporate pension fund assets in 1960, as against 1.0% in 1955.

Purchases Emphasize Common Stocks

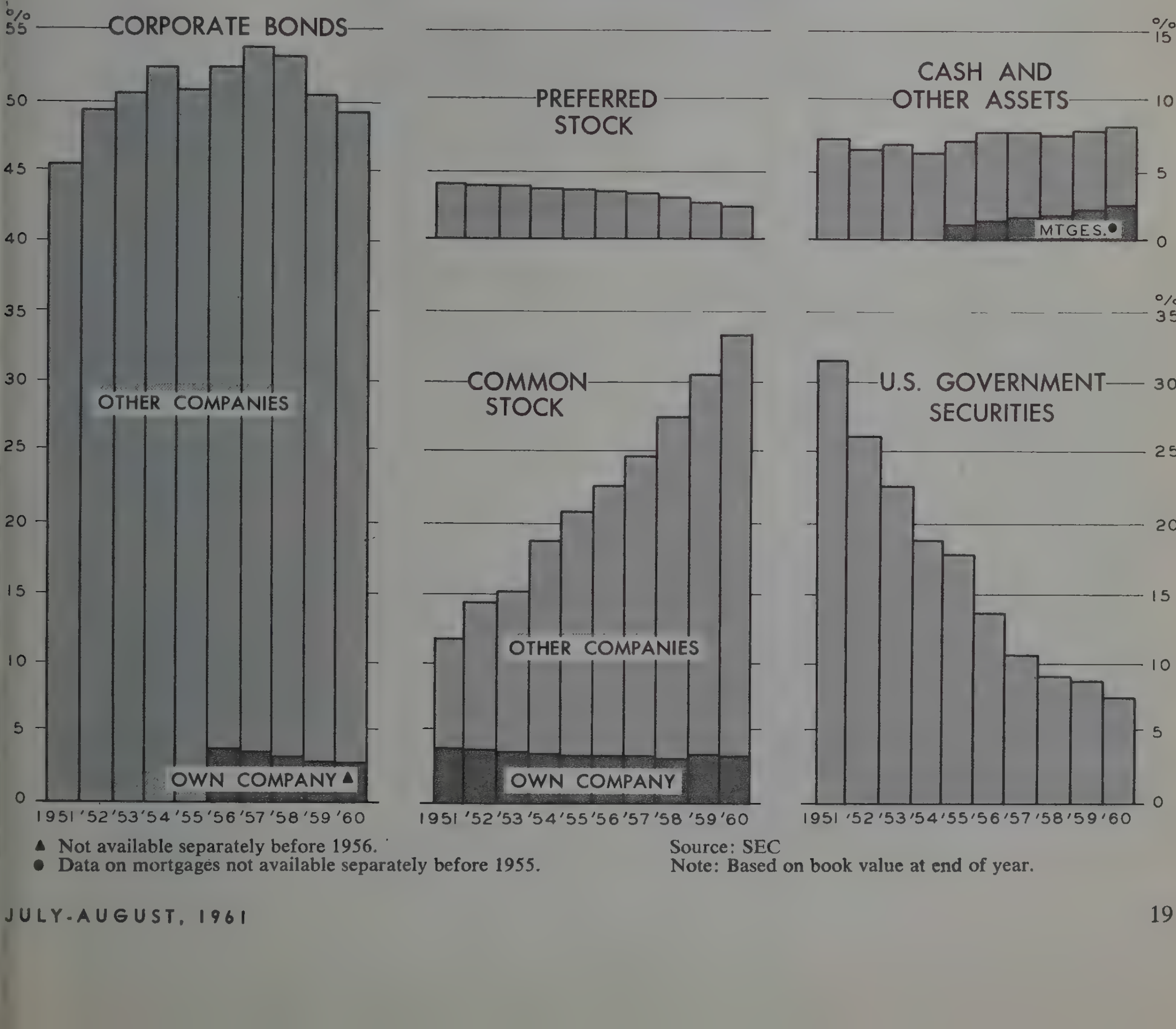
The spectacular rise has been in stockholdings. The book value of investments in equities increased ninefold between 1951 and 1960. Relatively, therefore, the share of the corporate pension fund portfolio accounted for by preferred and common stock together more than doubled—going from 16% to 35%. However, the trends in holdings of the two types of stock are really quite different, as Chart 2 indicates.

- Common stocks increased from 12% of 1951 total assets to 33% of total assets in 1960.
- Preferred stock dipped from 4% to 2% in the same period.[1]

As the foregoing implies, corporate pension funds have been buying an increasing amount of common stock annually over the decade. For example, net purchases of commons in 1960 were $1,717 million,

[1] In 1951, preferreds amounted to one-fourth of total stockholdings. They increased 140% over the ensuing nine years, but in 1960 they had fallen to one-sixteenth of all stockholdings; common stock investments had jumped 1,100% in the interim.

Chart 2: Changing Portfolio of Noninsured Corporate Pension Funds



▲ Not available separately before 1956.
● Data on mortgages not available separately before 1955.

Source: SEC
Note: Based on book value at end of year.

nearly six times the $291 million bought in 1951. Furthermore, as Chart 3 illustrates, net purchases of commons are accounting for an increasing proportion of net receipts. Thus, half of net receipts in 1960 went for common stock acquisitions as against one-fifth in 1951. The funds have never invested a very large part of their assets in the common stocks of their own companies (3.6% of total assets in 1951, 3% by 1960). However, assets in own company stock accounted for 30% of their common stockholdings in 1951. This has declined to 9%.

Growth vs. Appreciation

Although common stock accounted for 33% of the book value of the total portfolio of corporate pension funds in 1960, they represented 44% of the *market* value of the funds.

The difference between the book value and the market value on a particular date measures the extent to which the funds have appreciated (on paper, at least) to that date. For example the market value of all assets held in the corporate pension funds was $32.2 billion as of December 31, 1960, $4.5 billion greater than the $28.7 billion of book value accumulated by the funds up to that date. This represents a paper appreciation of 12% on the accumulated net receipts of the funds.

The role played by common stocks in this appreciation is suggested by the following ratios of market value to book values for selected classes of investment at the end of 1960:

Common stock	147.4%
U. S. government	98.9
Corporate bonds	93.1
Perferred stocks	91.6

The monies invested in common stocks appreciated about 47%, while the other monies depreciated.

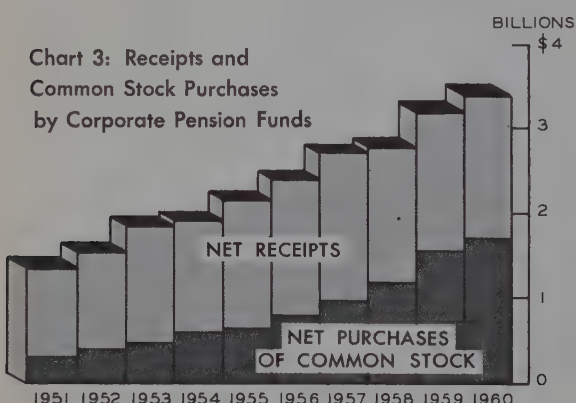


Chart 3: Receipts and Common Stock Purchases by Corporate Pension Funds

Source: SEC

Among common stockholdings, investments in own company stock averaged the greatest paper gains. They appreciated 130% to represent over 6% of the portfolio's market value, more than double the 3% they represented of book value.

INCOME AND OUTGO

It is obvious from the continuous uptrend in assets that receipts of pension funds have consistently exceeded expenditures. But if the trend in receipts and expenditures is examined separately, it can be seen that the percentage spread between the two is steadily narrowing.

Between 1951 and 1960, receipts almost tripled, rising from $1.6 billion to $4.4 billion. But disbursements increased four and one half times—from less than a quarter of a billion dollars to over a billion dollars. Since all but 2% to 4% of disbursements are accounted for by benefit payments, it is clear that benefits are claiming an increasingly larger share of corporate pension fund income, i.e. 23% in 1960 as against 14% in 1951.

A parallel can be seen in a comparison of the number of workers covered by all private pension funds and the number of pensioners receiving benefits. There was one pensioner for every twenty covered workers in 1951 and an estimated one pensioner for every twelve covered workers in 1960.[1]

Sources of Income

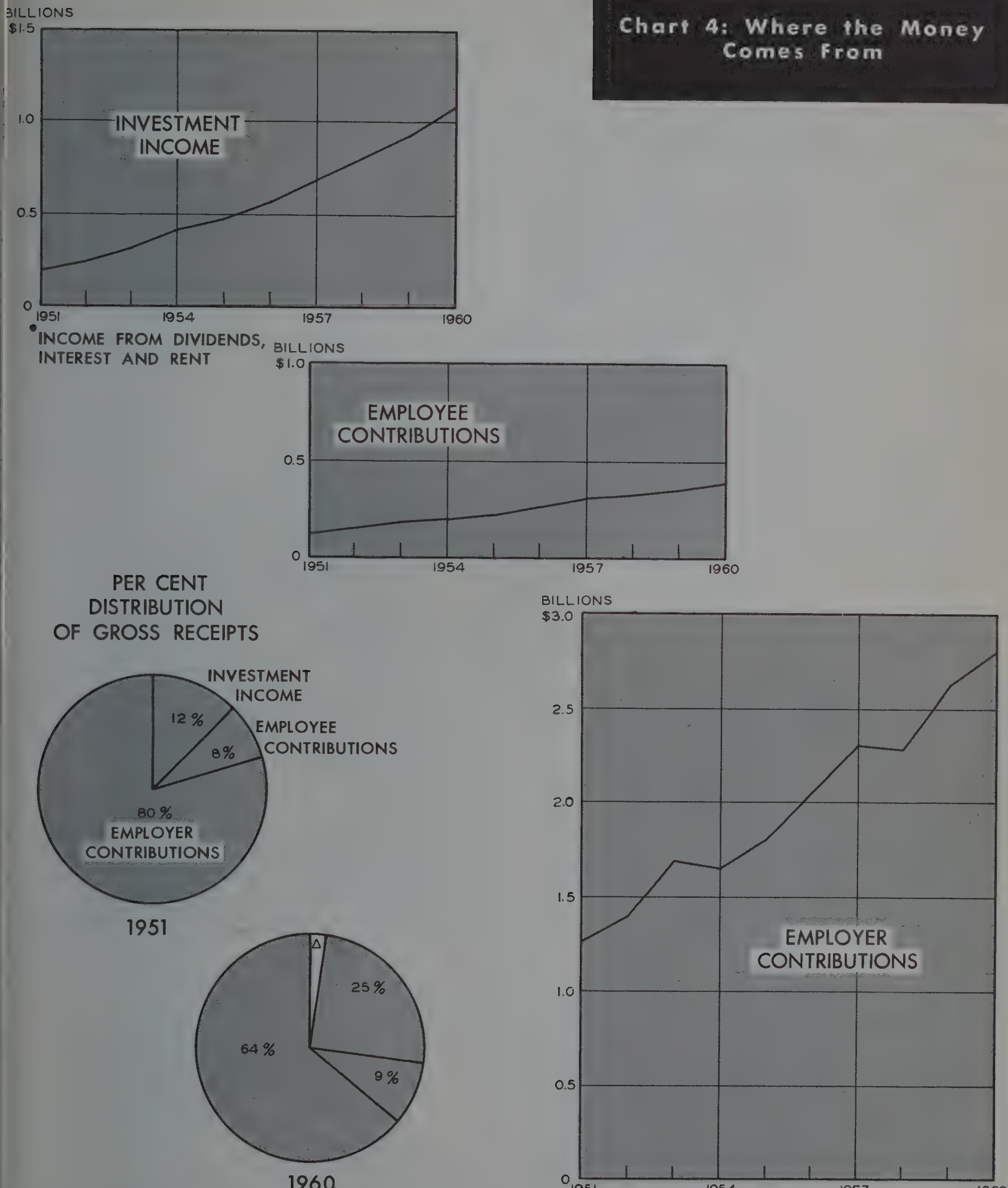
The receipts story is also one of growth in all major components as may be seen on Chart 4. Rates of growth in each of the components have differed so widely, however, that employer contributions have dropped in relative importance from 80% to 64% of gross receipts; employee contributions have accounted for a constant share—8%-9%—while the proportion of income from dividends, interest and rent has more than doubled—from 12% to 25%. This sharp rise in investment income is a result of two factors—the accumulation of more and more assets on which to earn income and a shift within fund portfolios to assets with higher yields.

It is worthy of note that investment income alone has been more than sufficient to meet benefit payments and other disbursements in every year since 1954.

Not included as investment income are realized net profits on sale of assets (principally net capital gains), which have been reported separately only since 1955. Yet according to one writer on the subject, they are

[1] These ratios relate to all private pension plans; coverage and beneficiary data are not available separately for corporate plans.

Chart 4: Where the Money Comes From



Source: SEC

Pension Funds and the Stock Market

Although corporate pension funds have been putting an increasing amount of their assets into equities, they still hold only a small fraction of the total value of all outstanding shares, as is shown in the tabulation below. By far the greatest part—88% of the $427 billion worth of shares outstanding in 1960—is owned by individuals. Corporate, noninsured pension funds held only 3.4% of these shares at the end of 1960, although this was more than the 1.4% they owned at the end of 1954. Among institutional investors, however, holdings of the corporate pension funds in 1960 were exceeded only by investment company holdings.

Equity Holdings, by Class of Investor

	1960		1954	
Class of Investor	Billions of Dollars	Per Cent	Billions of Dollars	Per Cent
Individuals[1]	$376.2	88.2%	$248.0	91.9%
Institutions	50.5	11.8	22.0	8.1
Investment companies	21.5	5.0	9.3	3.4
Noninsured, corporate pension funds	14.6	3.4	3.8	1.4
Life insurance companies	4.9	1.1	2.3	0.9
All other institutions[2]	9.4	2.2	6.7	2.5
Total market value	$426.7	100.0%	$270.0	100.0%

Note: May not add to totals due to rounding.
[1] Includes foreign and domestic individuals, personal trusts and nonprofit organizations.
[2] Includes banks, state and local government trust funds and union-administered, multiemployer and nonprofit organization pension funds.

A more meaningful measure of the importance of corporate pension funds in the equity capital market is provided by Chart 5.[1] Corporate pension funds have accounted for an increasing share of the net purchases of equities over the years. For example, in 1954, only 24% of the net purchases of equities were the result of these pension fund operations; in 1960, they accounted for 52% of these purchases. There is evidence that the bulk of pension fund purchases are made among the "blue chips."[2]

[1] In addition to corporate pension plans, "noninsured pension plans" includes nonprofit organization, multiemployer, and union-administered plans. These plans accounted for less than $.7 billion of stock holdings (common and preferred) in 1960.

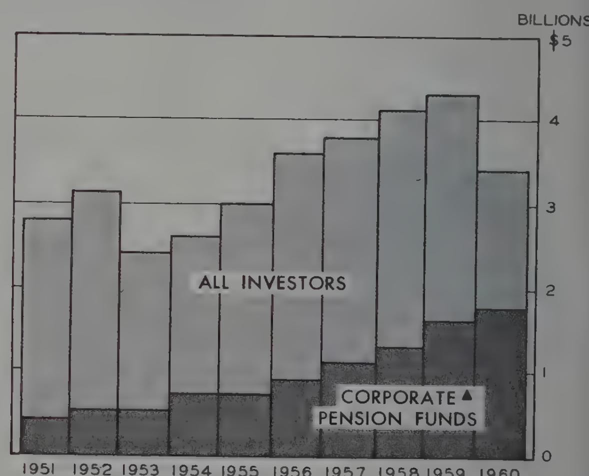
[2] For a detailed discussion of concentration of holdings see Paul P. Harbrecht, S. J., "Pension Funds and Economic Power," The Twentieth Century Fund, New York, N. Y., 1959, pp. 197-199; see also Robert Tilove, "Pension Funds and Economic Freedom," Fund for the Republic, New York, N. Y., 1959, pp. 44-52.

"as much an item of investment income as are dividends and rents. They should certainly be included as part of the return on investments."[1] Dollar totals of net profit on sale of assets and the percentage of gross receipts these represent are shown below:

	Net Profit on Sale of Assets	
Year	*Millions of $*	*% of Gross Receipts*
1960	91	2.1
1959	124	3.0
1958	67	1.9
1957	11	0.3
1956	49	1.7
1955	84	3.3

In contrast to the steady growth of the three major types of receipts, net capital gains have moved quite erratically. They depend on the degree of trading engaged in by pension fund managers and on the level of prices of the stock and bond markets. In 1957, for example, when net capital gains were at their lowest for the six years given, it has been explained that the gross gains realized were greatly reduced by losses, primarily in the bond account.[2] The SEC attributes the drop in net capital gains between 1959 and 1960 chiefly to lower stock prices during most of 1960.

Chart 5: Net Purchases of Common and Preferred Stock



▲ Includes purchases by "other" noninsured pension funds from 1955 to 1960.
Source: SEC

Miriam Kerpen
Mitchell Meyer
Division of Personnel Administration

[1] Hilary L. Seal, "Pension Fund Yields on Market Values," *Trusts and Estates*, August 1960, p. 755.

[2] Paul L. Howell, "Common Stocks and Pension Fund Investing," *Harvard Business Review*, November-December 1958, p. 98.

Significant Labor Statistics

Item	Unit	1961					1960		Year Ago	Percentage Change	
		May	April	March	Feb.	Jan.	Dec.	Nov.		Latest Month over Previous Month	Latest Month over Year Ago
nsumer Price Index (BLS)											
All Items	1947–1949=100	127.4	127.5	127.5	127.5	127.4	127.5	127.4	126.3	—0.1	+0.9
Food	1947–1949=100	120.7	121.2	121.2	121.4	121.3	121.4	121.1	119.7	—0.4	+0.8
Housing	1947–1949=100	132.2	132.3	132.5	132.4	132.3	132.3	132.1	131.2	—0.1	+0.8
Apparel	1947–1949=100	109.6	109.5	109.8	109.6	109.4	110.6	110.7	108.9	+0.1	+0.6
Transportation	1947–1949=100	146.6	145.8	145.7	146.2	146.2	146.5	146.5	145.6	+0.5	+0.7
Medical Care	1947–1949=100	160.4	159.9	159.6	159.4	158.5	158.0	157.9	155.9	+0.3	+2.9
Personal Care	1947–1949=100	133.8	133.8	133.6	133.8	133.7	133.7	133.9	133.2	0	+0.5
Reading and Recreation	1947–1949=100	123.9	124.1	123.4	122.7	122.2	122.3	122.5	121.4	—0.2	+2.1
Other Goods and Services	1947–1949=100	133.1	132.6	132.6	132.6	132.6	132.7	132.7	131.9	+0.4	+0.9
ployment Status (Census)											
Civilian labor force	thousands	71,546	70,696	71,011	70,360	69,837	70,549	71,213	70,667	+1.2	+1.2
Employed	thousands	66,778	65,734	65,516	64,655	64,452	66,009	67,182	67,208	+1.6	−0.6
Agriculture	thousands	5,544	5,000	4,977	4,708	4,634	4,950	5,666	5,837	+10.9	−5.0
Nonagricultural industries	thousands	61,234	60,734	60,539	59,947	59,818	61,059	61,516	61,371	+0.8	−0.2
Unemployed	thousands	4,768	4,962	5,495	5,705	5,385	4,540	4,031	3,459	−3.9	+37.8
ge Earners (BLS)											
Employees in nonagricultural establishments, total	thousands	p52,536	r 52,055	51,621	51,314	51,661	53,547	53,370	53,195	+0.9	−1.2
Employees in nonagricultural establishments, without Alaska & Hawaii[1]	thousands	p52,298	r 51,825	51,397	51,090	51,437	53,310	53,133	52,957	+0.9	−1.2
Manufacturing	thousands	p15,683	r 15,529	r 15,497	15,473	15,580	15,836	16,129	16,348	+1.0	−4.1
Mining	thousands	p 632	623	622	620	629	641	647	677	+1.4	−6.6
Construction	thousands	p 2,755	r 2,613	r 2,414	2,264	2,385	2,552	2,847	2,830	+5.4	−2.7
Transportation and public utilities	thousands	p 3,772	r 3,755	r 3,749	3,759	3,763	3,843	3,868	3,924	+0.5	−3.9
Trade	thousands	p11,425	r 11,380	11,337	11,279	11,464	12,405	11,842	11,543	+0.4	−1.0
Finance	thousands	p 2,528	r 2,518	r 2,507	2,494	2,490	2,504	2,499	2,469	+0.4	+2.4
Service	thousands	p 6,751	r 6,679	r 6,566	6,527	6,518	6,612	6,665	6,717	+1.1	+0.5
Government	thousands	p 8,752	r 8,728	8,705	8,674	8,608	8,917	8,636	8,449	+0.3	+3.6
Production and related workers in mfg. employment											
All manufacturing	thousands	p11,616	r 11,470	r 11,418	11,395	11,502	11,745	12,037	12,292	+1.3	−5.5
Durable	thousands	p 6,560	r 6,429	6,363	6,359	6,456	6,613	6,786	7,084	+2.0	−7.4
Nondurable	thousands	p 5,056	r 5,041	r 5,055	5,036	5,046	5,132	5,251	5,208	+0.3	−2.9
Average weekly hours											
All manufacturing	number	p 39.6	r 39.3	39.1	38.9	38.8	38.6	39.2	39.9	+0.8	−0.8
Durable	number	p 40.1	r 39.9	39.5	39.3	39.2	39.1	39.6	40.4	+0.5	−0.7
Nondurable	number	p 38.9	r 38.7	38.7	38.4	38.4	38.0	38.8	39.3	+0.5	−1.0
Average hourly earnings											
All manufacturing	dollars	p 2.34	2.33	2.32	2.31	2.32	2.32	2.30	2.29	+0.4	+2.2
Durable	dollars	p 2.50	r 2.49	2.47	2.47	2.47	2.48	2.46	2.44	+0.4	+2.5
Nondurable	dollars	p 2.13	2.13	2.12	2.11	2.12	2.11	2.10	2.07	0	+2.9
Average weekly earnings											
All manufacturing	dollars	p 92.66	r 91.57	90.71	89.86	90.02	89.55	90.16	91.37	+1.2	+1.4
Durable	dollars	p100.25	r 99.35	97.57	97.07	96.82	96.97	97.42	98.58	+0.9	+1.7
Nondurable	dollars	p 82.86	r 82.43	82.04	81.02	81.41	80.18	81.48	81.35	+0.5	+1.9
Straight time hourly earnings (estimated)											
All manufacturing	dollars	p 2.29	2.28	2.27	2.26	2.28	2.28	2.25	2.23	+0.4	+2.7
Durable	dollars	p 2.43	2.43	2.41	2.42	2.42	2.42	2.40	2.37	0	+2.5
Nondurable	dollars	p 2.09	2.09	2.08	2.07	2.08	2.08	2.06	2.02	0	+3.5
nover Rates in Manufacturing (BLS)											
Separations	per 100 employees	2.6	2.8	3.4	3.6	4.3	3.9	3.9	3.3	−7.1	−21.2
Quits	per 100 employees	0.8	0.8	0.7	0.6	0.7	0.6	0.7	1.1	0	−27.3
Layoffs	per 100 employees	1.3	r 1.5	2.2	2.5	3.0	2.9	2.7	1.6	−13.3	−18.8
Accessions	per 100 employees	3.5	r 3.4	3.3	2.7	3.1	1.8	2.3	3.2	+2.9	+9.4

[1] he following eight industries also exclude Alaska and Hawaii. *p* Preliminary. *r* Revised.

Spotlight on the New Minimum Wage Law

Coverage is extended to 3.6 million employees, mainly in retailing. But it is estimated that 97 per cent of retail business is unaffected by the act

WHEN the new minimum wage law goes into effect on September 3, 1961, it will bring about two significant changes in the Fair Labor Standards Act. First, it will increase the minimum hourly wage of workers previously covered by the act from one dollar to $1.25 in two steps: initially, to $1.15, then, two years later, to $1.25. Second, it will extend coverage to about 3.6 million additional workers, most of whom are employed in large-scale retail trade, service and construction industries.

As a first step, these additional workers will be paid a minimum of $1 an hour for the next three years, that is, until September 3, 1964. So that employers may make the initial adjustment to this $1 minimum before being required to comply with overtime provisions, there will be no maximum hours requirement during the first two-year period. But in the third year (beginning September 3, 1963), time and one-half must be paid for all hours worked over forty-four in any one week. Then, in the fourth year, the minimum will advance to $1.15 an hour, and in addition, time and one-half will be paid for all hours worked over forty-two. Finally, starting September 3, 1965, these newly covered workers will catch up with other workers covered by the law. At that time a single statutory minimum wage of $1.25 will prevail and pay at time and a half will be required for all hours over the standard forty-hour week. Table 1 shows the schedule of wage increases and overtime requirements.

ADDITIONAL COSTS

In terms of costs, what do these changes mean? Obviously, they mean an increase in direct payroll costs. At the recent Senate hearings on minimum wage legislation the conference committee estimated that of the 24 million workers previously covered by the act's minimum wage provisions, 1,906,000 are paid less than $1.15. When wages for these workers are raised to this figure, total payroll costs for those covered under the law go up $336 million, or by 0.3%, on an annual basis. This averages 9 cents an hour per employee, or just under $180 a year, according to Labor Department estimates. When, in September 1963, the minimum wage is upped to $1.25, about 3,021,000 will be receiving less than the minimum. Raising their wages to $1.25 will result in a total annual increase of $836 million, or 0.8% of direct payroll costs.[1]

Of the 3.6 million to whom minimum wage protection is being extended for the first time, 663,000 have been getting less than $1 an hour and 2,423,000 have been getting less than $1.25. The remainder are not affected because they are already earning $1.25 or over. Increasing to $1 an hour the wages of the 663,000 workers results in an annual increase in wage payments of $200 million. To the individual employee this means an average boost of about 15 cents an hour, or $300 a year, based on 2,000 hours. Additional increases during the fourth year when the minimum for this group becomes $1.15 amount to $260 million, and in the fifth year when their minimum becomes $1.25, the estimated increase is $240 million. Thus, over the five-year period total direct payroll costs for both newly protected and previously protected workers will increase about $5 billion. Charts 1 and 2 summarize these added costs.

Table 1. New Minimum Hourly Wage and Overtime Requirements of Fair Labor Standards Act

	1st Year	2nd Year	3rd Year	4th Year	5th Year
Newly covered					
Minimum wage	$1.00	$1.00	$1.00	$1.15	$1.25
Overtime requirements	None	None	After 44 hrs.	After 42 hrs.	After 40 hrs.
Previously covered					
Minimum wage	$1.15	$1.15	$1.25	$1.25	$1.25
Overtime requirements	After 40 hrs.				

Source: Bureau of Labor Statistics, U.S. Department of Labor.

Of course, the above-mentioned increases do not take into account the effect of overtime. While overtime will continue to be required for all work over forty hours, time and one-half will be figured on the new higher base. As an illustration, under the old law an employer paying $1.05 an hour and maintaining a forty-five-hour workweek paid his employees $49.87 per week ($42 for

[1] Hearings before the Subcommittee on Labor of the Committee on Labor and Public Welfare, U.S. Senate, 87th Congress, 1st Session, p. 23.

forty hours plus $7.87 for five hours at time and a half). Under the new law, the hourly base rate for those previously covered goes immediately to $1.15. Thus, the employer will have to calculate overtime hours from this base, thereby increasing his overtime payments to $8.62. As indicated earlier, overtime payments to newly covered employees do not begin until September, 1963, and not until 1965 will overtime after forty hours be required for them.

Indirectly, the new law will create additional payroll costs for employers who maintain their traditional wage differentials between job groupings.

For the individual employer, the effect of the new law on his labor costs depends upon the increase in his wage bill which is necessary (a) to raise to the legal minimum all wage rates now below that level and (b) to give to workers now at or above the new minimum whatever "indirect increase" is necessary and possible in order to realign wage structures. These payroll increases must then be interpreted in the light of several other factors, the most important of which are:[1]

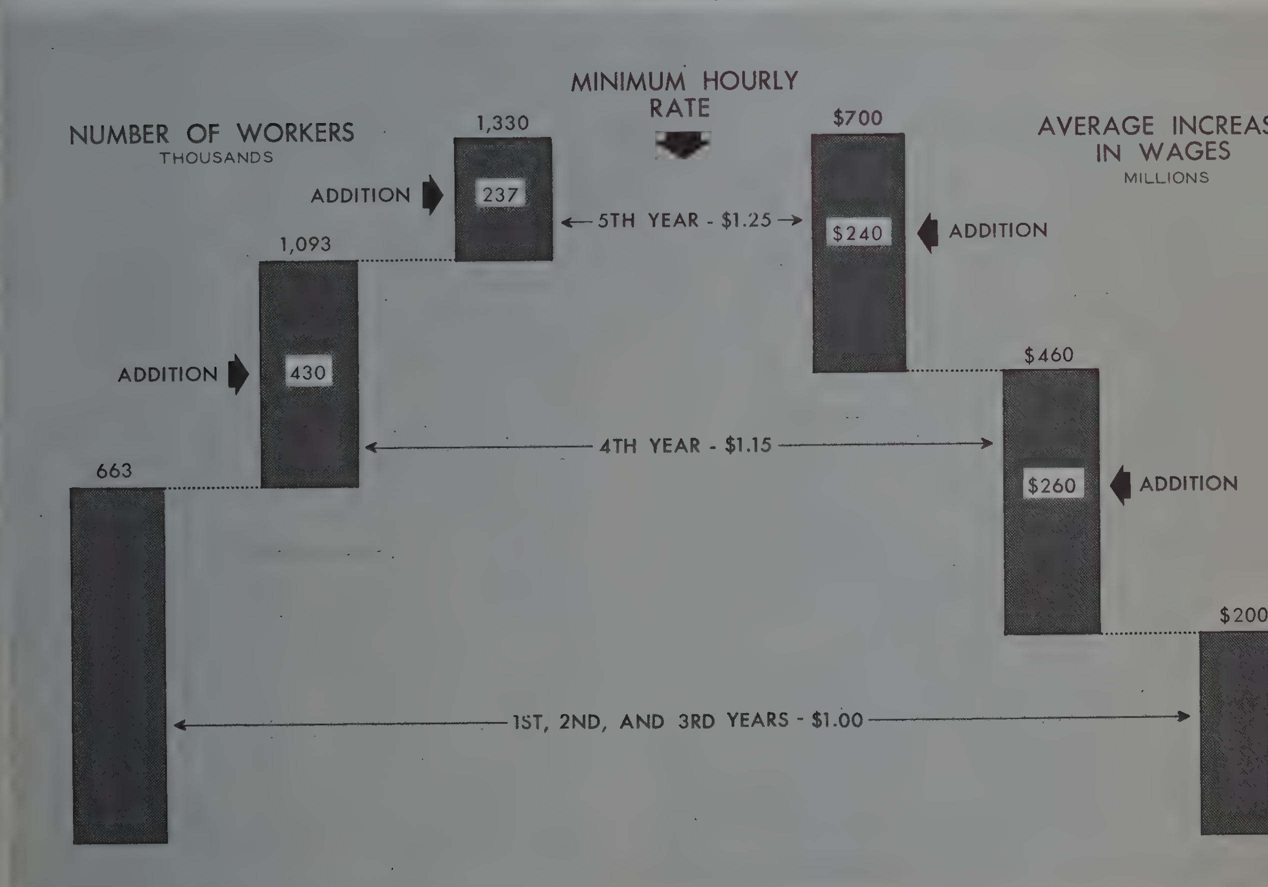
1. The proportion which labor costs are of total costs. It would be a much greater problem, for instance, to offset a 10% increase in labor costs when they amount to 50% of total costs than when they amount to only 15% or 25%.

2. Opportunities for technical improvements. An increased wage bill may not mean a similar increase in unit labor cost if production methods are improved or work flows expedited. Where labor-saving capital equipment is substituted for hand work, increased wages may not necessarily mean a similar advance in total costs though they may create some unemployment in the industry.

3. The market position of firms in the industry. This would determine the extent to which increased costs can

[1] "Results of the Minimum Wage Increase of 1950," U.S. Department of Labor, Wage and Hour and Public Contracts Divisions, Washington, 1954, pp. 7 and 9.

Chart 1: Number of Newly Covered Workers Receiving Wage Increases and Annual Increase in Wages Required



Source: Bureau of Labor Statistics; The Conference Board.

safely be passed on to consumers in higher prices, and depends on several factors:

a. The general state of business. A wage-bill advance is more easily absorbed when demand, prices, wages, and profits are generally rising than when they are stable or falling.

b. The degree of competition facing the products of the industry. As a rule, a product can be more readily increased in price without an excessive decline in sales when few if any satisfactory substitutes for it are available at a competitive price. It would be easier to raise the price of cigarettes than of lamb without losing sales, for example, because there are few adequate alternatives for cigarettes but there are many comparably priced meat and other food substitutes for lamb.

c. The degree of competition within the industry. The more competitive an industry, generally speaking, the less the capacity of individual firms to raise prices to consumers or lower prices to suppliers.

COVERAGE

While the 1961 amendments to the FLSA result in the third successive upward adjustment in the wage floor since the law was first enacted in 1938, this is the first time in its twenty-three-year history that a major extension in coverage has taken place.[1] The old law excluded, either by specific exemption or by definition, about two-thirds of the civilian labor force, including such low-wage sectors as agriculture, retail trade and "services and related industries." Actually, the new law shifts only slightly (from about one-third to about two-fifths) the proportion of workers in the total labor force who are covered by the act. Whereas about 24 million out of a total civilian labor force of 66 million were previously covered, now 27.6 million are included under the law. The added coverage represents an increase of about 5%.

What is more significant is that the new law: (1) broadens the definition of interstate commerce to include activities *affecting* commerce as well as activities "in commerce" or "production for commerce," (2) determines coverage on the basis of employers' operations and not on the work of individual employees, and (3) applies a new set of exemptions, some of which exempt both the wage and overtime requirements of the act while others exempt overtime only.

In essence, the new law extends coverage to employees in certain retail and service enterprises having a minimum volume of sales (or purchases, in the case of retailing). With but two exceptions (gasoline service and construction) the volume test is $1 million annually, and in the case of retailing certain other tests are specified. Briefly, coverage applies to:

- *Retail trade and service enterprises* grossing $1 million a year and purchasing goods for resale which come from other states and which cost at least $250,000 annually (exclusive of excise taxes)
- *Local transit enterprises* grossing $1 million a year
- *Construction enterprises* doing an annual business of $350,000
- *Gasoline service establishments* grossing $250,000 annually
- *Any establishment not otherwise included* that grosses $1 million in annual sales

An "enterprise," as defined in the act, refers to all related activities of a business which come under a unified or common control. These activities may be performed in one or more corporations or organizational units. An "establishment," on the other hand, is an organizational unit of an enterprise.[1] For example, a grocery chain is an enterprise and the sales of the individual units within the chain will be included in determining whether the entire chain meets the volume test. If the enterprise encompasses any unrelated business—logging, for example—then logging would be considered separately and its operations would not be included in determining the sales volume of the grocery chain.

Related activities of an enterprise may also encompass auxiliary and service activities such as a central office and warehousing, purchasing, advertising or similar services, provided all are under common ownership and control. Also, an enterprise may have vertical activities such as manufacturing, wholesaling and retailing of a product under common control. Thus, if an employer owned an apparel factory and a retail outlet, the retail employees would be covered if the combined operation grosses $1 million a year or more.

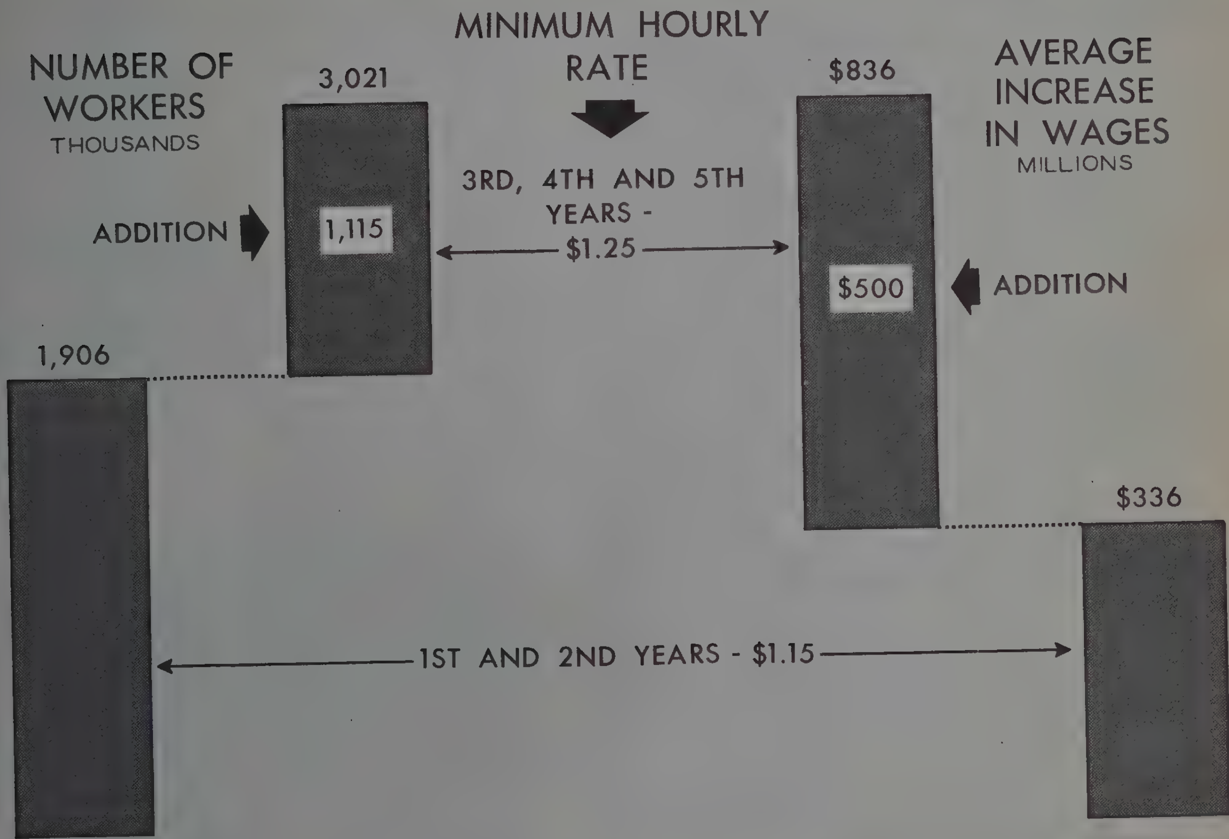
Where a company meets the definition of coverage specified in the act and employs one or more workers whose jobs are "engaged in commerce, or in the production of goods for commerce, or who handle, sell, or otherwise work on goods that have been moved in or produced for commerce," then all employees of that company are covered by the wage-hour law.

In the past, a worker was covered only if he himself was engaged in commerce or in production for commerce; the nature of the employer's business was irrelevant. It was thus possible for the same employer to

[1] In 1938 the law fixed wages for covered workers at 25 cents an hour the first year, 30 cents for the next six years, and 40 cents by 1945. Then, in 1950 the legal minimum was increased to 75 cents, and this was followed in 1956 by the dollar minimum.

[1] Hearings before the Subcommittee on Labor, 87th Congress, p. 4.

Chart 2: Number of Previously Covered Workers Receiving Increases and Annual Increase in Wages Required



Source: Bureau of Labor Statistics; THE CONFERENCE BOARD.

pay unprotected employees below the federal minimum while at the same time observing the minimum where protected employees were concerned. Effective with the new law, coverage will be determined on an establishment basis. As a consequence, firms in local wholesale trade, finance, real estate, insurance, communications, public utilities, and others performing accounting and similar services may now be covered.

The major impact of the added coverage, however, falls on retailers since almost two-thirds of the newly covered employees (2.2 million out of a total of 3.6) are employed by them. But it must be remembered that local retailers such as independent department stores and supermarkets would probably be excluded from coverage. In discussing this point at the minimum-wage hearings before the Subcommittee on Labor, the Secretary of Labor stated:

"Rather than reach into every nook and corner of America, this definition . . . will only cover 15,000 retail enterprises in the United States and 100,000 establishments of these 15,000 enterprises."[1]

Thus, it is estimated that 97% of all retail business will not be affected by the new legislation.

EXEMPTIONS

Obviously, employees of retail and service firms whose volume of business is less than that stipulated in the law are exempt from wage-hour coverage. But even where these firms meet the dollar volume test, certain employees who would otherwise be entitled to protection are specifically excluded. These include employees in hotels, motels, restaurants, motion picture theaters and hospitals. However, whether or not exemptions

[1] *Ibid.*, p. 96.

apply is not always crystal clear. For example, a department store enterprise grossing over a million dollars annually may also operate several restaurants. Are the restaurant employees covered? The answer is no, although the other employees would be.

Executive, administrative and professional employees, traditionally exempt from the law, may continue to be exempt provided they spend less than 40% of their time in nonexecutive and nonadministrative work.

Other exemptions from both minimum wage and overtime requirements of the law include:

- Auto, truck and farm implements salesmen who are employed by firms primarily engaged in selling these products
- Off-shore fishing and fish processing activities (except canning). Onshore fish processing is now covered by minimum wage
- Switchboard operators in independently owned public telephone exchanges which have no more than 750 stations
- Employees of country elevators who work in the area of production and who sell products for use on farms, provided the elevator has no more than five employees
- Cotton gin employees, provided they gin cotton for market in a county where cotton is grown in commercial quantities
- Agricultural workers. But if employees primarily engaged in farm work perform any part-time work at farmers' livestock auctions they must be paid at least the legal minimum for this part of their job
- Employees of laundries and dry cleaning firms continue to be exempt

On the other hand, some employees are specifically exempt from overtime requirements of the law but are not necessarily exempt from minimum wage coverage. These include the following:

- Employees who receive at least half their pay in commissions
- Seamen on American flag vessels. (Seamen on foreign vessels continue to be exempt from both the minimum wage and overtime requirements)
- Radio and TV announcers, news editors and chief engineers of stations in small cities
- Employees of independent distributors of bulk petroleum
- Local drivers and helpers paid on the basis of trip rates or other delivery payment plans

The new law also adds a minimum wage, overtime and child labor exemption for any homeworker making evergreen holly wreaths or harvesting forest products used in making these wreaths.

It is quite possible that employers who are not immediately involved with the new federal wage-hour law may, sooner or later, come under the law's jurisdiction. This derives from the fact that the Secretary of Labor is specifically directed in the law to study the complicated system of exemptions for agricultural and food processing employees as well as for employees of hotels, motels and restaurant establishments. He is further directed to report to Congress by January, 1962, the results of his findings and, presumably, to make recommendations for further legislation.

OTHER CHANGES

Under the former law, the Secretary of Labor could obtain a court injunction to restrain employers from violating wage-hour requirements. But in instances where this was done, the federal courts were not authorized to compel employers to make overdue wage payments to employees unless the employee himself instituted proceedings, or specifically requested the Secretary of Labor to do so for him. Understandably, many employees were reluctant to do this. As a consequence, a study conducted by the Labor Department revealed that of $30 million in wages which were found due in 1960, $16 million have remained unpaid.[1]

An administrative change in the new law now permits the Secretary to bring suit against an employer without first securing the employee's consent. This does not, however, prevent an employee from bringing his own suit for back wages. In fact, it is more advantageous to the employee to initiate his own suit since he can then receive payment for back wages plus an equal amount for damages. A suit initiated by the Secretary is limited to the amount of unpaid wages only.

For repeated, wilful noncompliance with the law, an employer may be prosecuted criminally and fined up to $10,000. However, there has been comment to the effect that the officials of the Labor Department will use persuasion and education, particularly during the early stages of administering the new law, rather than the "letter" of the law in getting employers to comply.

Another change in the law involves the definition of "wages" as they apply to board, lodging and other facilities which may be provided by an employer. In this connection, the Secretary of Labor is authorized to determine the fair value of these benefits. If the value he assigns happens to be lower than the actual cost, the excess cannot be counted as wages. Then, again, where there is a union contract which excludes such items as board and lodging from wages, employers may no longer add the cost of these in figuring legal compliance.

N. Beatrice Worthy
Division of Personnel Administration

[1] *Ibid.*, p. 99.

National Union Strike Benefits—1961

HOW WELL a striker can withstand the loss of his weekly paycheck often determines the success of the strike. THE CONFERENCE BOARD surveyed 102 national and international[1] unions to determine if they had established strike benefit procedures to bolster their members' economic staying power during a strike.

Fifty-seven of the participating unions indicate that they have such a plan. Forty-one of these unions report that they have established special funds to provide this strike aid.

FUNDING THE PLAN

These unions usually allot to the strike fund a specified amount of the per capita tax paid to the international or national union. The amount earmarked varies from a low of $1 per year (or 8⅓ cents a month), set aside by the Utility Workers, to a high of $1.25 a month, earmarked for the strike funds of both the United Rubber Workers and the United Auto Workers.

Most frequently the participating unions set aside between 20 and 50 cents per member per month for their strike funds. The median is approximately 30 cents a month. A few unions, such as the Air Line Stewards and Stewardesses, the Musicians, and the Tobacco Workers, apportion a certain per cent of dues money and, sometimes, a per cent of the receipts from initiation fees and other income rather than a flat sum.

The Brewery Workers union's strike fund is financed by the on-again, off-again method. In other words, when the union's strike fund goes below $500,000, each union member is assessed 40 cents a month. A number of other unions, such as the Meat Cutters and Butcher Workmen and the Street, Electrical Railway Employees, finance their strike funds either by a special assessment or a dues increase when funds go below a specified minimum.

[1] An international union, in the terminology of the American labor movement, is one whose affiliated local unions may include some with members in Canada, the United States possessions, and sometimes in Mexico and the Panama Canal Zone. Although workers from these areas constitute at most only a small fraction of the total membership of such nationwide labor organizations as the United Auto Workers or the International Brotherhood of Electrical Workers, the designation commonly used is "international."

Thirteen unions report that the strike benefits are paid out of general funds. Three other unions did not indicate the source of their funds.

AMOUNT OF STRIKE BENEFITS

The amount of financial assistance the national unions provide their striking members varies considerably. So, too, do the stipulations and qualifications for receiving benefits, the waiting periods and the duration of benefits.

Twenty-six of the reporting unions pay flat-sum benefits to the strikers. These benefits range from a low of $5 a week paid by the Brewers' Union to a high of $50 a week paid by the Photoengravers and the Mailer's Union, ind. The median weekly amount is about $20.

Sliding Scale on Benefits

However, most of the participating unions use a sliding scale based on the individual need, marital status, and number of dependents of each striker. For example during the first six months of a strike, a member of the Brotherhood of Locomotive Engineers receives $100 a month. If he is married he is paid an additional $30 dollars a month for his wife and $25 a month for each child under eighteen years of age. Starting with the seventh month of the strike, the maximum benefit to a married union member is $125 a month.

Other unions, including the Air Line Pilots, the Musicians, and the Typographers, disburse a percentage of the striker's normal income as a strike benefit.

The Typographers, for example, pay 40% of the day work scale to strikers who have no dependents and 60% of the day work scale to strikers who have de-

(Text continued on page 35)

Table 1: Number of Unions That Provide Strike Benefits

Practice	Number of Unions	Declared Membership
Provide national strike benefits	57	8,816,587
From special strike funds	41	6,366,083
From general funds	13	2,046,004
Source of benefits not indicated	3	404,500
Do not provide national strike benefits	45	5,069,049
Total participating unions	102	13,885,636

Table 2: Strike Benefit Provisions of Fifty-seven Unions[1]

Name of Union[2]	Declared Membership[3]	Amount of Dues Money Per Member Earmarked for Strike Fund	Strike Benefits Paid by International	Benefits Begin	Benefits Based on "Right" or "Need"	Benefits Ever Given to Nonmembers?	Other Strike Benefit Information
Air Line Pilots	13,750	Paid out of general fund. No separate benefit fund yet. (See last column)	$11.70 to $18.33 per day	1st month—but no benefits accrue during 1st 14 days of a work stoppage	Right	Yes	General assessment of nonstriking members to cover benefits, replenishing general fund. Reserve fund permitted in constitution and being established, this fund will pay out benefits pending assessment.
Air Line Stewards and Stewardesses, affiliated with TWU, AFL-CIO	n.a.	5% of income is allocated for strike fund	$5 per day	After 7th day	Right	No	General assessment of all members to replace money drawn from treasury.
Auto Workers	1,136,000	$1.25 month, of the per capita tax	$12-$30 per wk., depending on marital status and length of strike	3rd week	Right	Yes	No benefits paid to striker whose outside earnings total $40 per week.
Bakery & Confectionery Workers, ind.	n.a.	From per capita	$20 per week	2nd week	..	No	Good standing membership required; must be a member for more than 6 months and abide by strike rules.
Boilermakers	150,000	30¼¢ mo. of per capita goes to strike fund	$30 per week max.	First day of 2nd week	Right	No	All members on sanctioned strikes have always received the max. benefit without qualification.
Bookbinders	61,500	25¢ mo. from Journeymen and Journeywomen, male juniors. 20¢ mo. from junior women and Class B members	$32.50 week $25.00 week	2nd week; immed. if a lockout	Right	Yes	..
Boot and Shoe Workers	50,000	Paid out of general fund. No separate strike fund	$15 week	2nd week	..	..	
Brewery Workers	65,000	40¢ mo. (until fund reaches $500,000)	$5 week per member disbursed to each local	3rd week	Right	Yes	Those in need given additional consideration.
Brick and Clay Workers	25,000	50¢ mo.	$15 week but will pay $20 when fund level is over $200,000	3rd week	Right	No	..
Broadcast Employees and Technicians	6,000	Each local pays $1 per member quarterly to the International Defense Fund	$15 week	3rd week	..	No	Approval of the strike by the International Executive Council must be made before funds are disbursed.
Chemical Workers	82,000	25¢ of the monthly per capita	$10 week, payable to local for 3rd–7th week to be disbursed at its discretion	3rd week	See last column	..	After 8th week or when strike fund falls below $200,000 benefits are paid to locals according to need.

Table 2: Strike Benefit Provisions of Fifty-seven Unions[1] (continued)

Name of Union[2]	Declared Membership[3]	Amount of Dues Money Per Member Earmarked for Strike Fund	Strike Benefits Paid by International	Benefits Begin	Benefits Based on "Right or "Need	Benefits Ever Given to Nonmembers?	Other Strike Benefit Information
Cigar Makers	5,597	Paid out of general fund. No separate strike fund	$10 week for first 16 wks; $5 next 16 wks.	Day exec. board approves application	Right	No	. .
Communications Workers	260,000	50¢ mo.	No guarantee; based on need	See last column	Need	Yes	After 2 wks., food. After 30 days, rent. After 60 days, other necessities.
Coopers Int'l	3,400	10¢ mo. of per capita	$10 week	2nd week	Right	Yes	
Electrical Workers (IUE)	285,000	35¢ mo. of per capita	No set amount: based on need	See last column	Need	Yes, at discretion of officers	Benefits begin when officers determine need exists.
Engineers, Operating	292,000	From per capita	$15 per week	2nd week	. .	No	Payment of benefits are reviewed after 30 days.
Engineers, Flight	n.a.	Defense fund per capita tax of $1 per month and special assessment for the strike	$8 per day	. .	. .	. .	Payable daily as striker reports for strike duty.
Garment Workers, Ladies	n.a.	Half of fund financed by ILGWU strike benefits fund; half of it financed by local unions or joint boards involved in dispute	$20 week, standard benefit	2nd week	. .	Yes	. .
Glass Workers, Flint	33,388	Paid out of general fund. No separate strike fund	$25 week	2nd week	Right	No	. .
Glove Workers	2,500	16½¢ mo. of per capita	No set amount, based on need	According to need	Need	No	. .
Hatters	35,000	Paid out of general fund. No separate strike fund	$25—$45 week	. .	Need	No	. .
Industrial Workers Union, National, ind.	700	10% of per capita dues set aside in reserve fund	No set amount	When decided by national officers	. .	No	. .
Laundry, Dry Cleaning & Dye House Workers, ind.	n.a.	From international funds	$15 week	1st week	. .	No	. .
Lithographers, ind.	38,000	Assessment	$35 week	First day of strike	. .	Yes	. .
Locomotive Engineers, ind.	n.a.	Paid out of general fund. No separate strike fund	$100 mo. plus $30 for wife and $25 each child under 18 for 6 mos. After 6 mos., $100 (single) and $125 married	First full day	Right	Yes	Members unemployed because of another strike also get benefits.

Table 2: Strike Benefit Provisions of Fifty-seven Unions[1] (continued)

Name of Union[2]	Declared Membership[3]	Amount of Dues Money Per Member Earmarked for Strike Fund	Strike Benefits Paid by International	Benefits Begin	Benefits Based on "Right" or "Need"	Benefits Ever Given to Nonmembers?	Other Strike Benefit Information
Locomotive Firemen and Enginemen	100,000	Paid out of general fund. No separate strike fund	Min. \$3 day plus 75¢ first dependent, 50¢ each add'l dependent. Max. \$150 mo., continuing for 1 year	First day	Right	Yes	Retired members also get benefits if they reject company offer of reemployment.
Machinists	904,988	50¢ mo. of per capita	\$25 week	3rd week	Right	Only by special action of Executive Board	Payments discontinued when strike fund dwindles to \$5,000, then strikers draw from general fund. No benefits paid to strikers whose outside earnings total \$25 week.
Maintenance of Way Employees	175,000	Part of the Grand Lodge dues	No set amount	Optional	..	Yes	Recipient must be supporting strike efforts.
Mailers, ind.	3,800	Dues & assessment	\$50 week	8th day	..	No	..
Maritime Union	40,000	Paid out of general fund. No separate strike fund	No set amount	When needed	Need	Yes	..
Meat Cutters	350,000	10¢ mo., but whenever the Strike Fund falls below \$2 million, the International Executive Board is authorized to increase the International dues by \$1 per month until the fund once more reaches the \$2 million level, but not for a period to exceed three months in any calendar year	No set amount; averages \$20 week to local per member	At end of 1st wk. benefits accrue, but no benefits are actually paid until the end of second week of strike	Right	Yes, if they go on strike the same as members	If employed elsewhere, do not receive benefits.
Molders	84,000	35¢ month	\$18 week plus dues (paid as long as members on strike)	2nd week	Right	No	..
Musicians	268,959	Theater Defense Fund, financed by a 2% tax placed on those members making sound pictures or employed in theaters	One-half of minimum wage each week	2nd day	Right	No	Fifteen week limit
Newspaper Guild	32,000	60¢ mo. of per capita is placed in defense fund	\$15 week single or married with spouse working; \$25 married, spouse not working. \$10 each dependent to \$60 or 90% salary, whichever less	3rd week, benefit increased by \$5 week after fifth week	Right	No	Benefits reduced by full amt. of unemployment benefits and by other compensation in excess of \$15 per wk.
Newspaper and Mail Deliverers, ind.	4,500	Not indicated	\$40 week	2nd week	..	..	..

Table 2: Strike Benefit Provisions of Fifty-seven Unions[1] (continued)

Name of Union[2]	Declared Membership[3]	Amount of Dues Money Per Member Earmarked for Strike Fund	Strike Benefits Paid by International	Benefits Begin	Benefits Based on "Right" or "Need"	Benefits Ever Given to Nonmembers?	Other Strike Benefit Information
Oil, Chemical Workers[4]	173,000	35¢ mo. of per capita	No set amount. Averages $10 week, depending on need	4th week	Need	Sometimes	..
Papermakers and Paperworkers	140,000	50¢ mo.	30 week max.	3rd week	See last column	No	Not a benefit by "right" but designated as "relief"
Photoengravers	16,500	Assessment	$50 week for eight weeks	First day	..	No	After 8 weeks, international executive board may extend benefits.
Plasterers	68,000	Paid out of general fund. No separate strike fund	No set amount	3rd week	Need	No	..
Potters	30,000	Paid out of general fund. No separate strike fund	$25 week if strike lasts more than a week	1st week if strike lasts more than a week	Right	No	50% of international union dues fund set aside for strikers, but apparently not a separate fund.
Plate Printers	700	Paid out of defense fund	$25 week	3rd week	..	No	Review after 8 weeks
Printing Pressmen[5]	114,000	Paid out of general fund	$25 week married; $20 week single for 8 weeks	Immediately	Right	..	Benefit paid only to full per capita-paying member. Special financial assistance is given to others based on need.
Pulp, Sulphite Workers	170,000	30¢ mo. and $1 of initiation fee	Varies; determined by executive board	..	..	..	Assessments may be levied by exec. board to finance strikers.
American Radio Association	2,000	$2 year	No set amount	..	..	..	All strike benefit rules set by national council with approval of membership.
Railroad Signalmen	13,000	By fund transfer	$15 and $20 week	3rd week	..	..	Benefits are paid until fund is exhausted.
Railroad Telegraphers	62,000	$2 year to protective fund, but when protective fund reaches $500,000 it may be transferred to any other fund, upon two thirds vote of convention	No set amount	3rd week	Right	Yes	Members on strike must register personally every day.
Railway Clerks	329,288	Paid out of protective fund. Assessments if fund is insufficient	$15 week	3rd week	..	Yes	Benefits given where individual not employed 60 days. "Nonmembers no problem with union shop agreements."
Retail Clerks	400,000	From International funds	No set amount	2nd week	..	No	..
Rubber Workers	n.a.	$1.25 mo. to strike and defense fund	$25 week	3rd week	..	..	Benefits shall continue for two weeks following the strike or lockout.

Table 2: Strike Benefit Provisions of Fifty-seven Unions[1] (continued)

Name of Union[2]	Declared Membership[3]	Amount of Dues Money Per Member Earmarked for Strike Fund	Strike Benefits Paid by International	Benefits Begin	Benefits Based on "Right" or "Need"	Benefits Ever Given to Nonmembers?	Other Strike Benefit Information
Stone and Allied Products Workers	16,000	30¢ mo. of per capita to Strike Relief, Defense and Litigation Fund.	Varies, determined by executive board	3rd week	..	Yes	..
Street, Electric Railway Employees	140,000	$1.25 mo. whenever defense fund drops below $1 million, until it reaches $3 million. Other times, 25¢ mo.	$25 week min.	3rd week	See last column	No	Benefits to all members employed less than 2 days per week.
Teamsters, ind.	1,500,269	Paid out of general fund. No separate strike fund	$15 week	2nd week	Right	No	..
Textile Workers, United	100,000	10¢ mo.	No set amount	..	Need	..	Do not pay specific strike benefits. Set up relief fund for assistance to strikers.
Tobacco Workers	32,000	20% of per capita of $1.50	$15 week min., amount varies with amt. of funds available	3rd week	..	No	..
Typographical Union	113,000	Strike benefit fund plus assessment	60% day work scale for members with dependents or 40% day work scale for members without dependents. The weighted average work week pay of typographer in US and Canada is $122	2nd week	Right	Only with exec. council approval	..
Upholsterers	60,000	$1 of each member's annual per capita tax allocated to Defense Fund	$5 to $25 week	3rd week	..	Yes	..
Utility Workers	80,000	10¢ mo. of per capita is put into defense fund	Amount varies	4th week	Need	No	..

[1] Of the 102 unions cooperating in the survey, forty-five do not have strike benefit plans. Of these, two observe a no-strike policy: Fire Fighters and Special Delivery Messengers; three others indicate that they occasionally provide assistance to strikers, although they do not have any formal strike benefit plan: United Electrical Workers, ind; the Train Dispatchers; and the Furniture Workers; one union is in the process of setting up a strike benefit plan: the Textile Workers Union of America; the remaining thirty-nine have no provision for paying strike benefits at the international level: Associated Unions of America, ind; Barbers; Bricklayers; Building Service Employees; Clothing Workers; Brotherhood of Electrical Workers; Elevator Constructors; Technical Engineers; Firemen & Oilers; Window Glass Cutters; Government Employees; Heat and Frost Insulators; Hosiery Workers; Hotel and Restaurant Employees; Industrial Workers; Jewelry Workers; Life Insurance Agents; Longshoremen and Warehousemen, ind; Marine Engineers; Masters, Mates and Pilots; Mine-Mill Workers, ind; Office Employees; Brotherhood of Packinghouse Workers; Painters; Plant Protection Employees; Postal Transport Association; Postal Union, ind; Post Office Clerks; Railroad Yardmasters; Sleeping Car Porters; State County and Municipal Employees; Steelworkers; Teachers; Telegraphers; Theatrical Stage Employees; Transport Service Employees; Toy Workers; Watchmen, ind; Welders, ind.

[2] All unions are affiliated with the AFL-CIO unless labelled independent.

[3] N.a. indicates membership figures are not available.

[4] The Oil, Chemical and Atomic Workers at their 1959 convention established a voluntary supplementary defense fund, designed to provide an additional $25 a week in benefits, when adopted by local unions with membership of 50,000. On March 1, 1961, the required number of locals had elected to subscribe to the plan. No benefits will be paid until September 1, 1961. At that time and for the succeeding eighteen months, the striker (if his local subscribes to the plan) will receive 50% of the $25 benefit. During the third year of participation by the local, the striker will receive 75% of the ultimate benefit.

[5] Presently this union reports that a new strike fund is being built up. This fund, financed by a special assessment of $1 per month on the full dues-paying members, will disburse strike benefits when it reaches the $500,000 mark. Once the fund reaches 1 million, the special assessment is removed. But when the fund dips to $500,000 the members will again be assessed. Under the new plan the benefits to be paid to strikers will be $50 a week. As before members who are not full dues-paying members will receive benefits based on need. Of the total membership of 114,000, 60,000 are considered to be full dues-paying members.

(*Text continued from page 29*)

pendents. Considering that the average weekly pay of a typographer in the United States and Canada is $122, the strike benefit is a sizable amount. Striking airline pilots, however, receive even higher benefits. They may get anywhere between $11.70 and $18.33 a day.

Several unions disburse strike benefits solely on the basis of need. One such union is the International Chemical Workers. The following description of its plan is extracted from an official pamphlet sent to all affiliates by the international headquarters:

"Twenty-five cents from each member's monthly per capita tax is placed in a fund from which benefits are paid to the local union at the rate specified in the constitution. No benefits are allowed for the first two weeks, and benefits are paid for a maximum of five weeks. These benefits are guaranteed as long as the Strike Fund exceeds $200,000.

"These benefits are paid to the *local union*. No individual has any vested right to the money. Disbursement of the money received must be according to the rules adopted by the local union. In setting up rules, local unions must bear in mind that, in a strike, there are a great many expenses other than relief to the distressed individuals and that strikes often go beyond the period of guaranteed benefits."

Some of these unions establish minimum and maximum amounts of strike aid. Some unions, such as the Communications Workers, indicate that strike assistance is seldom given in cash. Instead, the union distributes groceries and pays rent, utility bills, and other "emergency" items.

STRIKE BENEFITS AS A RIGHT

Increasingly, unions are treating the payment of strike benefits as a matter of right rather than need. Twenty-two of the unions participating in this survey informed The Conference Board that they have adopted this approach, which has been demanded by rank-and-file workers who say that strike costs tend to be unequally distributed. These workers feel that this is particularly true when a strike called in a company or plant results in a pattern-setting agreement. All of the union members benefit, but the strike costs are borne by only a few.

Many strikers believe that paying strike benefits on the basis of need puts assistance on the level of charity. For that reason some workers never ask for assistance. Other say that it means that they have to be wiped out financially and perhaps in debt before they can collect strike assistance. Still others argue that the "need" approach is discriminatory and that the thrifty and frugal who have built up a bank account get nothing, while spendthrifts receive immediate aid.

Table 3: Amount of Dues per Member Earmarked for Strike Benefits in Forty-one Unions That Have a Special Strike Fund

Amount	Number of Unions	Declared Membership
Up to 9 cents a month	1	60,000
10-19 cents a month	7	599,900
20-29 cents a month	3	283,500
30-39 cents a month[1]	8	916,000
40-49 cents a month	1	65,000
50 cents and over a month	8	2,659,758
Other[2]	4	324,159
Not specified	9	1,457,766
Total	41	6,366,083

[1] Includes the Bookbinders' union which has different rate scales for junior and senior members.
[2] Includes the National Industrial Workers Union which sets aside 10% of the per capita dues received, the Lithographers and the Photoengravers which levy special assessments from time to time, and the Musicians which finance their defense fund by placing a 2% tax on those members making sound pictures or employed in theaters.

Table 4: Strike Benefits as a Right or on Basis of Need

Practice	Number of Unions	Declared Membership
As a matter or right	22	5,108,851
As a matter of need	9	1,043,500
Not stated	26	2,664,236
Total paying strike benefits	57	8,816,587

On the other hand, some observers point out that paying strike benefits to all strikers as a matter of right may curtail the union's ability to carry on some strikes, since much greater sums may have to be paid.

The giant International Association of Machinists, which pays benefits as "a matter of right," was compelled in 1960 to reduce the size of the benefit. The following program was inaugurated because a union-appointed committee found the old plan "actuarially unsound."

"(1) That the present donations ($35 per week) be reduced to $25 per week.

"(2) That when the strike fund reaches a level of $500,000 . . . no strike benefits shall be paid until the strike fund reaches $2,500,000.

"(3) That the waiting period for eligibility for strike benefits be increased from one week to two weeks.

"(4) That the payment of the $10 per week be continued on the same basis as it has been in the past and that Article XIX, Section 6, lines 34 through 41, page 41 pertaining thereto remain unchanged.

"(5) That the constitution provide that strikers otherwise eligible for strike benefits who become gainfully employed during a strike and earn an amount of $25 or more in one week are not eligible to receive strike benefits while so employed.

"(6) That all local and/or district lodges who request strike sanction after notification of reduction of strike bene-

fits be notified at time sanction is granted of the amount of benefits each striking member will be eligible to receive.

"(7) That when the executive council determines that the strike fund is approaching the $500,000 minimum, it shall notify all local and district lodges that are on strike in sufficient time to guarantee to them an additional four weeks' benefits, if possible.

"(8) That the strike fund per capita tax remain as it is at 50 cents per month, with no increase therein."

QUALIFICATIONS FOR BENEFITS

Usually, an international union attaches one or more qualifications to the eligibility of a local union or an individual union member for strike benefits. The most typical qualification calls for approval of the strike by the international union. If this is lacking, the striking local will find itself deprived of the financial support by the national office.

Many unions also require the striking local union and its members to be in financial "good standing" with the national organization. Others require the strikers to be available for strike service, such as manning the picket line. Still others, as noted previously, either restrict or disallow benefits to striking union members who are employed elsewhere and are earning above a certain amount. A corollary to this is a ruling by some unions that striking members may not refuse employment offered to them.

WAITING PERIODS

Few unions pay strike benefits immediately upon the start of a strike. Of the fifty-seven unions that pay benefits, only eight apparently do not have a waiting period before benefits begin. Another union, the Operative Potters, pays benefits for the first week providing the strike lasts more than a week. Sixteen unions indicate that benefits begin during the second week, twenty during the third week, and two during the fourth week of a strike.

Table 5: Waiting Period before Strike Benefit Payments Begin

Benefit Waiting Period	Number of Unions	Declared Membership
No waiting period[1]	8	327,297
Begin 2nd week of strike[2]	16	3,582,835
Begin 3rd week of strike[3]	20	3,544,296
Begin 4th week of strike	2	253,000
Other[4]	7	802,159
Unions that did not specify when payments begin	4	307,000
Total	57	8,816,587

[1] Includes the Cigar Makers Union, which pays benefits from the "day the executive board approves application," and the Flight Engineers, which pays benefits daily when strikers "report for strike duty."

[2] Includes Bookbinders, which pays strike benefits beginning the second week, "but pays benefits immediately if there is a lockout."

[3] Includes the Communications Workers, which grants food benefits beginning the third week.

[4] Includes the following: three unions that pay when the national officers decide; two unions that pay whenever need exists; the Operative Potters, where benefits are payable the first week providing the strike lasts more than a week; and the Musicians, which pays benefits beginning on the second day.

UNIONS WITHOUT PAYMENT PLANS

Forty-five of the 102 unions surveyed by THE CONFERENCE BOARD report that they do not have any established plan for disbursement of strike benefits from international funds. Two of these unions—Association of Fire Fighters and the Special Delivery Messengers, with a combined declared membership of nearly 100,000—have a no-strike policy and, hence, have no provisions for strike benefits.

The other forty-three unions, with a total declared membership of 4,969,700, include many small unions (with fewer than 10,000 members.) Several, however, are quite large, such as the following AFL-CIO affiliates:

Union	Declared Membership
United Steelworkers of America	1,200,000
Int'l Brotherhood of Electrical Workers	750,000
Hotel and Restaurant Employees	446,000
Amalgamated Clothing Workers	377,000
Building Service Employees	275,000
State, County and Municipal Employees	220,000

These forty-three unions do not have formal plans, but many may disburse benefits on an informal or occasional basis. Three unions, the United Electrical Workers, ind., the Train Dispatchers, and the Furniture Workers, definitely state that they follow this course of action.

Another, the 200,000-member Textile Workers' Union of America, is establishing a formal strike benefit fund. Although the details of the plan have not been announced, the international is earmarking 50 cents per member per month to this fund.

1958-1961 COMPARISONS

No attempt has been made to contrast the results of this analysis with the findings of the Board's 1958 survey.[1] Misleading conclusions might be drawn from such a comparison, since most of the unions did not participate in both studies.

In all, twenty of the seventy-eight that cooperated in the 1958 survey have not participated in this one, while fifty-four of the 102 unions that cooperated in this report were not surveyed in 1958. Thus, while thirteen more unions report that they have strike benefit plans than did in 1958, it cannot be inferred that there has been a substantial increase in the prevalence of

[1] For details on the earlier survey, see "National Strike Benefits," *Management Record,* July-August 1958, page 242.

rike benefit plans since twelve of these unions did not ırticipate in the 1958 survey.

However, forty-three of the unions reported, both 1958 and 1961, that they have strike benefit plans. uring the interim, the following changes in these ans have occurred:

Eight unions have increased and one has decreased the amount of assistance that is given to the strikers.

►Seven unions have increased the amount of dues money earmarked for strike assistance.

►Three unions have added an additional week to the waiting time before a striker receives benefits.

JOHN J. MCKEW
Division of Personnel Administration

Management Bookshelf

tirement Preparation Programs: A Study of Company Responsibilities—This book offers a comprehensive analysis of the role of the company in preparing employees for retirement. It describes the preparation for retirement programs of 161 companies. On the basis of this analysis a model program is described and major variations on the model are discussed. *By Michael T. Wermel and Geraldine M. Beideman, Benefits and Insurance Research Center, Industrial Relations Section, California Institute of Technology, Pasadena, California, 1961, $10.*

bor and the Law—This 1961 supplement traces the evolution of labor law from the days of the criminal conspiracy doctrine to the present. In the process, the author covers the Supreme Court decisions of the past three years and briefly indicates the nature of 1959 Congressional labor legislation. *By Charles O. Gregory, W. W. Norton & Co., Inc., 55 Fifth Avenue, New York, New York, 1958 ed. with 1961 supplement, 619 pp., $6.90.*

e Impact of Collective Bargaining on Management—This is a study of the effects of collective bargaining experiences on all aspects of management action. Chapters include such topics as hiring, training and apprenticeship, seniority, layoff, promotion, work scheduling, subcontracting, make-work rules, technological change and pension plans. *By Summer H. Slichter, James J. Healy, and E. Robert Livernash; The Brookings Institution, 1775 Massachusetts Ave., N. W., Washington 6, D. C., 1961, 982 pp., $8.75.*

ıergency Disputes, A National Labor Problem—The meaning of "emergency dispute" is defined, and the present procedures for its solution are analyzed. Eleven alternative methods of solution are suggested. *By Industrial Relations Counsellors, Inc., 1270 Avenue of the Americas, New York 20, New York, 1961, 41 pp., $1.50.*

onomics of Labor Relations—The fourth edition of this book owes its appearance to the authors' belief that "the Labor-Management Reporting and Disclosure Act of 1959 outmoded every labor textbook in use." Besides adding a chapter that describes the provisions of the new law, the authors have also woven into the other chapters as needed a discussion of the law. Other subjects covered include union history and government, collective bargaining, labor market economics, governmental wage regulations and the shorter workweek, and governmental control of labor relations. *By Gordon F. Bloom and Herbert R. Northrup, Richard D. Irwin, Inc., Homewood, Illinois, 1961, 881 pp., $10.95.*

Labor and The Supreme Court—In this 2nd edition the author discusses labor case law in the area of the right to strike, picketing, boycotts, featherbedding, preemption, union security, and labor injunction. *By Albion G. Taylor, Braun-Blumfield, Inc., Ann Arbor, Michigan, 1961, 205 pp., $2.50.*

The Impact of the Professional Engineering Union—This book is an analysis of the experiences of eleven companies where professional engineers and scientists have organized certified bargaining units. Effects of this unionization on such issues as compensation, layoff, and work assignment are all treated. *By Richard E. Walton, Graduate School of Business Administration, Harvard University, Boston, Massachusetts, 1961, 461 pp., $5.*

The Assessment of Employee Morale—Companies wishing to make scientific appraisals of the morale of their employees will be interested in this monograph. Copies of two morale measures are shown and research findings analyzed. Factors of employee satisfaction were found to be differentially related to such criteria as skill level, production index, tardiness, absenteeism, and tenure. *By R. P. Yuzuk, Bureau of Business Research, The Ohio State University, 1775 South College Road, Columbus 10, Ohio, 1961, 67 pp., $2.*

Increased Incentives Through Profit Sharing—A case study of the operation of a gray iron foundry before and after the introduction of a profit-sharing plan. The profit-sharing plan "resulted in a definite increase in labor productivity and an improvement in the scrap record . . . and the increased labor productivity was accompanied by a reduction in the so-called overhead costs which, in turn, gave rise to further increases in profits." *By J. J. Jehring, Profit Sharing Research Foundation, 1718 Sherman Avenue, Evanston, Illinois, 1960, 45 pp., $1.50.*

Briefs on

PERSONNEL PRACTICES

Away with Waste!

The Ansco Division of General Aniline and Film Corporation in Binghamton, New York, has conducted two highly successful campaigns against waste. Each campaign had an "initialed" slogan, which the company considers the key to its success. One was WOW (War on Waste) and the other was MAC (Make Ansco Cost-conscious).

Now the company is launching a new campaign, and the employees have been invited to suggest what they think its initialed slogan should be. The major target again is the elimination of waste. But any cost improvement slogan that is designed to help the company's position in the competitive market will be accepted. The employee submitting the best slogan will be awarded a color television set worth $565.

Inside Sweden

The Swedish people, as noted for their reserve as they are for their smorgasbord, apparently have no objection to revealing detailed and intimate information about themselves on paper. Such personal information is requested on the application form that must be filed in advance by the technical and professional employees sent by their companies to the management training center run by the Swedish Employers' Confederation at Yxtaholm. During the last ten years, reports the Industrial Welfare Society of London, only one applicant refused to furnish the requested information—and he was *not* Swedish.

All About Allergies

Companies losing production time because some of their employees suffer from allergies may be interested in "Nothing to Sneeze At." This 13½-minute, 16 mm. animated color film has been sponsored by the Schering Corporation, in association with the Allergy Foundation of America. It is being offered to the public to help the more than 17 million Americans who suffer from allergic diseases which range from the annoyance of hay fever to the severity of crippling allergies.

Set against the background of the Old West, "Nothing to Sneeze At" is narrated by Steve Allen and highlights the scope of the allergy problem—the nature, causes and varieties of allergic symptoms and treatments.

Supervisory Babysitting

In a recent sales contest at General Telephone Company of California, the prize was a free steak dinner for the winner and his wife. As an added incentive, the rules of the contest stipulated that if the winner had children, the foreman of the losing sales crew would be his babysitter while he collected the prize.

The winner turned out to be the father of two very young children. Before he and his wife departed for their steak dinner, they had to leave detailed instructions about proper bottle temperature and the fundamentals of diaper changing. It was the first babysitting the losing foreman (whose children have grown out of the bottle-and-diaper stage) had done in years.

GE Wins Award for Retraining and Layoff Assistance Plan

The first annual achievement award of the Council on Employee Benefit Plans has been presented to the General Electric Company for its income extension aid plan. Adopted in 1960, the GE plan makes available for the use of practically all hourly employees with three or more years of full-time, continuous service who are laid off because of a lack of work or a plant closing a sum equal to a full week's pay for each full year of continuous service. For example, the sum placed at the disposal of an employee earning $125 a week who is laid off for lack of work after he has completed fifteen years with the company would be $1,875. He would be able to use this money *without incurring an obligation to repay it,* if he:

1. Applies it as tuition at a trade or professional school where he can learn a new skill that will better enable him to meet the needs of today's changing technologies; or

2. Receives it in weekly installments of $62.50 ie-half his regular weekly pay rate). He would be-ne eligible for these weekly installments if still un-ployed at the end of the maximum period for which state allows unemployment compensation benefits. y balance remaining from the $1,875 twelve months er his layoff would be paid to him in a lump sum.

Still another alternative is offered under the plan ien the employee is advised that the layoff is to ceed six months. He may choose, within sixty days er being laid off for lack of work, to break his service d take the $1,875 as termination pay. If he follows s course, he can regain all his service credits, recall hts and continuity of service if he is rehired within ee years, provided that within a reasonable time after ire he returns to the company the termination pay already received.

GE says it developed this income extension aid plan provide funds during layoff, to help laid-off em-oyees learn new skills, and to help them take advan-ge of employment opportunities elsewhere."

Two Is Company

The recreation department of North American Avia-n, Inc. in Los Angeles will help as few as two em-oyees with a mutual interest to establish a program to eet their needs. More than 150 clubs and athletic agues have already been set up to satisfy the varied terests of the company's employees. Recreation, oreover, is an around-the-clock affair; there are clubs r employees on the second and third shifts, as well for those on the first shift.

The following clubs hold regularly scheduled meet-gs: Boat Club; Bowmen (archery); Bridge Club; Bulls d Bears (investment); Camera Club; Chess Club; ying Club; Electronics Club; Flying Horsemen (rid-g); Gem and Mineral Club; Investors Club; Men's horus; North American Players (drama); Percussion evolver Club; Rifle and Pistol Club; Rod and Gun lub; Skeet and Trap Club; Skyriders (women's riding oup); Snoglada (ski club); Sports Car Club; Square lub (Masonic); Stamp and Coin Club; Toastmasters ublic speaking); Trailer Club; and Women's Chorus.

Cold Competition

Last September's hurricane knocked out electrical rvice for days in Winter Haven, Florida. General oods' Birds Eye plant in that town was prepared; it d emergency power for its zero storage area. Willing share its good fortune with employees and neighbors, it offered to keep frozen foods until the regular electrical service was restored. Hundreds accepted with thanks. Some, however, added words of apology—the ones who asked Birds Eye to store other brands.

When a Union Member Dies

At a manufacturing plant, prompt financial assistance is provided for the dependents of any union member who dies. The company's labor contract with the local union contains this clause:

"At the earliest practicable date following the death of a member, the company shall deduct $1 from the pay of each employee who has authorized such deduction. All money so deducted (which the company remits to the financial secretary of the union) shall be given by the union to the widow or family of the deceased member."

Correspondence Courses at a Discount

The Olin Mathieson Chemical Corporation has completed a cooperative training arrangement with the International Correspondence Schools in Scranton, Pennsylvania, that makes it possible for Olin employees throughout the country to enroll in job-related correspondence courses at a 10% discount on I.C.S. tuition rates.

Among the 256 courses offered are the following: machine shop practice; mechanical, industrial, electrical and chemical engineering; instrumentation; tool making; drafting; accounting; industrial foremanship; and elements of nuclear energy. Materials for this last course have been prepared under the auspices of the Atomic Energy Commission.

Many Olin employees have already taken advantage of the correspondence course program.

Annual Report in Braille

Again this year the American Telephone and Telegraph Company has made its annual report available in Braille and on talking records to share owners who are blind. The company started this practice last year as a result of a suggestion from a blind share owner in Providence, Rhode Island. AT&T agreed with her that she should be as well informed as sighted share owners about the Bell System's progress, policies and plans for the future.

Copies are personally delivered to individuals and to libraries and organizations for the blind by members of the Telephone Pioneers of America, a national organization of long-service employees who work with the blind as one of their activities.—J. R. O'M.

Oil Workers State Bargaining Aims

FOLLOWING a series of five area bargaining conferences, the Oil Chemical and Atomic Workers, AFL-CIO, revealed that its members are presently most concerned with job protection and the improvement of fringe benefits.

In order to attain these ends, the OCAW members suggested provisions calling for:

- Retirement at sixty-two
- Severance pay
- Longer vacations to provide work for more people

In addition, concludes the OCAW's *Union News,* most participants at these conferences called for medical and hospitalization programs that provide more extensive coverage.

Textile Unions Unite in Mutual-aid Plan

Nineteen locals of the Textile Workers Union of America and the United Textile Workers representing some 40,000 employees in the synthetic yarn industry recently negotiated a mutual-aid plan, reports the *AFL-CIO News.*

This new pact provides participating locals with financial support if they are forced to strike as a result of employer demands for a reduction in wages or fringe benefits. The locals will assess every member 25 cents a week in order to finance the plan.

The pact was devised because local union leaders felt that "in a competitive industry, any attack on the standards of a single local union will immedately have repercussions throughout the entire industry."

Second Thoughts on ILGWU Organizers' Union

Many staff members of the International Ladies' Garment Workers' Union appear to have reconsidered the value of their membership in a newly created union called the Federation of Union Representatives (FOUR), says *Justice,* the ILGWU semimonthly.

Fifty-five members of the organizers' union have recently resigned, declares the union newspaper. Some of these people have sent letters to fellow members expressing the fear that the new union has in mind "definite plans to change the policies upon which our union (ILGWU) has grown and prospered."

The union officials also registered disapproval of FOUR's reliance on an antilabor press to forward its ideas, refusal by FOUR leaders to use the normal procedures for presenting grievances, and the bitterness of the new union's leaders toward ILGWU officials.

Steelworker Scholarships

For the last fourteen years affiliates of the United Steelworkers have been conducting various scholarship programs, reports *Steel Labor,* the union monthly newspaper. During that time 725 high school graduates have received scholarships valued at over $700,000.

The number of scholarships offered at both the district and local union level has *increased each year.* In 1948 only one Steelworker district offered a college scholarship. Today, twenty-six sons and daughters of Steelworker members will receive $65,000 in scholarships from eleven districts. In 1956, total scholarship aid disbursed by Steelworker locals amounted to $13,000. This year 110 students will receive $76,000 in awards from local unions.

Emery Bacon, Steelworker education director, attributes the success of the scholarship program to the union members' desire to give their children "what they themselves have been denied." The program, he continues, became popular after the Steelworkers began attending summer labor programs that exposed them to college life and learning.

Currently, Mr. Bacon reports that his department is preparing a booklet to guide local unions in the planning and development of their scholarship programs. This pamphlet will provide information on financing procedures, eligibility requirements and testing service.

Retail Clerks Take to the Airwaves

How a union projects its image to the American public is the theme of an article appearing in the monthly magazine of the 305,000-member Retail Clerks International Association.

This union believes that it has solved the problem rough utilization of radio and television. Millions of ople have been made aware of the organization's ntribution to society through its advertisements on ave Garroway's *Today* show last season, continues e article. Moreover, prospective union members are formed of the benefits of belonging to the Clerks.

In order to take advantage of the seasonal listening bits of the American public, the Retail Clerks have greed to sponsor a week end Monitor radio show ther than a television program during the summer.

eamsters as Farmers

The International Brotherhood of Teamsters has nounced the signing of an agreement with the giant ntle farm covering several hundred agricultural work-s in California's Salinas Valley.

Terming the contract "a severe setback for the two FL-CIO farm unions in the field," the *International eamster* said that Teamster organizers are hopeful of rganizing 110 other companies in the field.

The new Teamsters, who harvest lettuce, spread artons in the fields, and load the trucks, will be guaran-ed a minimum hourly wage of $1.12. The union op agreement also grants time and one-half for hours orked in excess of eight a day. Contract provisions lso call for reporting pay, eight paid holidays, and no unday work.

Already under Teamster contract are the Antle drivers in California and Arizona who carry produce from the fields to the cooling sheds.

New Canadian Party To Hold Convention

On July 31 of this year, 2,000 delegates from all over Canada will converge on Ottawa to form a new political party dedicated to advancing the needs of organized labor. The party hopes to draw additional support from liberal and farm groups.

The new group's constitution, which will be proposed at the founding convention, vests control of policy in a biennial convention, says the *Brewery Worker*, monthly publication of the 65,000-member Brewery Workers. Between conventions, an eighty-two-man national council will govern.

The founding convention will choose a national leader, who will act as the party's spokesman in Parliament, notes the union paper. The convention will also elect a president, associate president, secretary, treasurer and five vice-presidents.

Provincial parties will be granted a large measure of autonomy, declares the union monthly, which points out that provincial committees of the new party are already operating in Ontario, Quebec and British Columbia.

JOHN J. MCKEW
Division of Personnel Administration

Management Bookshelf

ow To Invest Pension and Profit-Sharing Funds—This book discusses various investment media for pension and profit-sharing plans, including common stocks as well as fixed income investments. It covers variable annuities, split funding, mutual funds, pooled investment funds, real estate and mortgages, lease-back arrangements and the use of life insurance. Other sections cover administrative aspects of fund management. *By William J. Casey, Institute for Business Planning, 2 West 13th St., New York, New York, 1961, 188 pp., $12.50.*

he New Wage and Hour Law—This revised and enlarged edition prepared by the editorial staff of *Labor Relations Reporter* provides a basis for an initial understanding of the Fair Labor Standards Act as amended. The book is divided into two sections. The first provides an interpretation of the present law in the light of earlier amendments and court decisions and the legislative history of the new amendments.

The second section contains 237 pages of appendices, including the text of the law as amended, the documents that comprise the legislative history of the 1961 amendments, and excerpts from the Congressional debate on the amendments.

A complete topical index at the end of the book serves as a handy reference guide. *Prepared under the direction of Howard J. Anderson, Managing Editor, Bureau of National Affairs, Inc., Washington, D.C., 1961, 366 pp., $9.50.*

Labor Arbitration: Principles, Practices, Issues—After delving into the historical background of arbitration, the author proceeds to explain such topics as the choice of the arbitration tribunal, the powers of the arbitrator, and the procedural aspects of arbitration. The latter part of the book is devoted to the pinpointing of specific issues which frequently confront an arbitrator. Following an analysis of each issue, the author presents an actual case involving this same point. Sample forms are also included. *By Maurice S. Trotta, Simmons-Boardman Publishing Corporation, 30 Church St., New York 7, New York, 1961, 438 pp., $10.*

Explaining Salary Programs—Appendix[1]

Excerpt from Handbook Given to Salaried Personnel

(The company) makes a sincere effort to pay people fairly. It has established a position classification system with salary ranges which provide for adequate differentials among positions of varying responsibilities. This permits individual consideration so that each employee is paid in accordance with his responsibilities and performance.

When you start to work for (the company), you are paid a salary related to your immediate responsibilities. From then on your salary progress depends upon how successfully you as an individual apply yourself. Your salary will be reviewed periodically. Merit increases will be granted in recognition of improved performance. At your request, your supervisor will advise you of your present classification and salary range. Possible promotions to more responsible jobs provide further opportunities to increase your salary.

* * *

Excerpts and Diagrams from

Booklet Given to Exempt Employees

Salary Administration Plan for Exempt Employees

This booklet has been prepared to provide you with a brief description as to how the salaries of exempt employees . . . are determined. The plan is a part of the salary administration plan of the company, the objective of which is to establish and maintain fair and equitable compensation for all employees.

It is the intent of the company to provide the "right" pay to all employees, to recognize each one as an individual, to maintain a working climate which is both satisfying and rewarding, and to provide incentives for each one to improve his performance in his present position and to work for advancement to a position which has a higher salary range. It is hoped that this brief description of our salary administration plan will be helpful in showing its part in attaining these objectives.

The Salary Structure

There is one basic company salary structure for exempt individuals. Each exempt position . . . has been evaluated as to its worth to the company . . . , as outlined under "position evaluation." Based upon this evaluation, it has been assigned to one of the levels.

While the diagram of the salary structure, shown in Figure 1, shows only fifteen of the levels, it illustrates the basic principle of the structure. Thus, positions which are evaluated as being of higher value are assigned a higher level. This does not mean that the compensation for a position in a higher level is always higher than that for a position of a lower level. An employee in a level one step below that o[f] another employee might well be making a more importan[t] contribution at any one point in time, and be compensate[d] accordingly, despite the difference in the position levels.

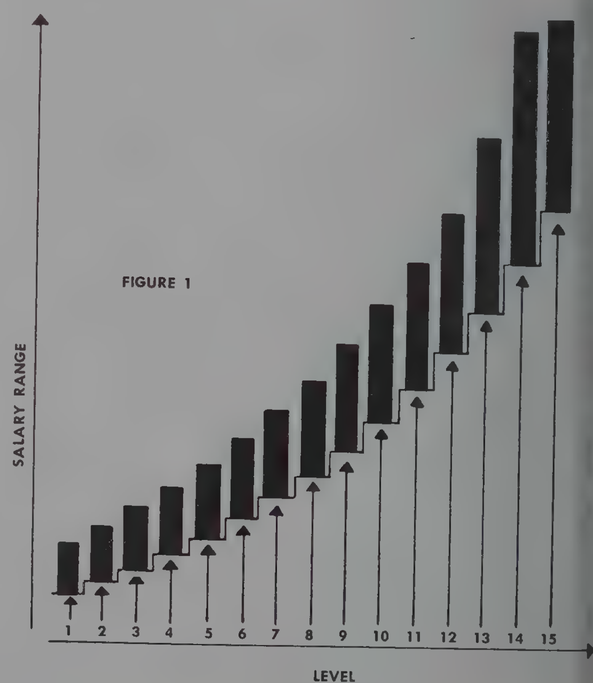
Each level has a maximum rate, a position rate, and [a] salary range. There is a differential and an overlap betwee[n] each level and the levels adjacent to it. The number o[f] levels, the size of the salary ranges, and the differential an[d] overlap between position levels were established after givin[g] consideration to what others were doing, and then deter[-]mining the design of structure which would best fit th[e] needs of the company.

It is hoped that the diagram and brief descriptions o[f] these terms given in Figure 2 will define each and show it[s] purpose.

The Position Guide

The first step in evaluating a position, and thus determin[-]ing in which level in the salary structure it should b[e] placed, is the preparation of a written description—posi[-]tion guide—of the work of the position. The guide for you[r] position defines the work responsibilities, authority, and re[-]lationship responsibilities which you have; and the "ac

FIGURE 1



[1] This appendix supplements the article on page 15.

intability factors," by which your performance in the sition is evaluated. Thus, it provides a basis for evaluat- the work of your position and appraising performance.
You should have a copy of the position guide for your sition, or have access to one. It should help you to an- ze and understand your responsibilities; and to be aware the factors by which your performance is measured, aluated, and thus compensated for. It will also aid you in ablishing mutual understanding with your manager as to at is expected of you.

SITION EVALUATION

The position guide provides the basic information re- ired to evaluate any exempt position in relation to other empt positions. . . . Such evaluations are made through of a point rating system that is based on certain com- n factors.

When a manager is evaluating a position in his compo- nt, he determines the importance of each of these factors relation to other positions . . . and assigns a numerical ue to it. The aggregate of such numerical values indicates level of the position.

* * *

Excerpts from Article in Employee Publication

The job evaluation program looks at a job as part of the al (company) effort. It examines the requirements of the b and the general results expected. The basic salary range ucture with its twenty-two grade levels attaches a range pay to each job. In setting salary range levels, (the com- ny) is guided by surveys showing salaries paid for similar rk in other organizations. The merit review plan gives pervisors an opportunity to examine and reward individ- l performance. In other words, your "fair pay" depends the value of your work to (the company), the value of nilar work in the employment market, and your individ- l effort and results compared with that of your fellow rkers.

Your morale and, to some extent, the effort which you t forth on the job depends on the degree to which you el that you are being paid properly for job accomplish- ents. If you are paid on the basis of performance, com- red with the performance of fellow employees, it is rea- nable to expect you to work to achieve more than satis- ctory performance. An outstanding job deserves to be cognized and rewarded.

It is not an easy matter for a supervisor to judge and aluate individual performance and particularly to reflect is judgment in decisions affecting salary. But it is a deci- on which he must make. He knows that it is part of his b and must be done carefully—in the interest of fairness. aid him in this task he uses the following general guides th the understanding that individual consideration and dgment are required:

- An employee whose salary is below the midpoint of his lary range should make fairly regular progress toward the idpoint of his range. His job performance must be satis- ctory to receive an increase, however, and he should be veloping on his job in accordance with his supervisor's pectation. The size of his increase should depend on his pervisor's evaluation of his performance in relation to the

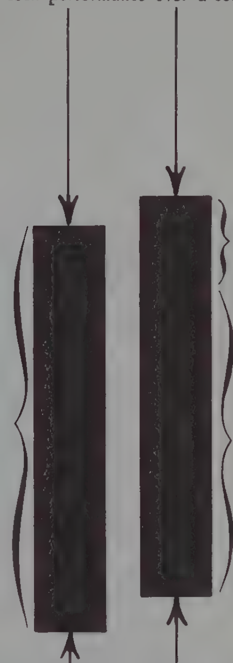


FIGURE 2

performance of others in his unit and in his department.

- An employee whose salary is at, or close to, the midpoint of his salary range is receiving fair pay for satisfactory performance on a carefully evaluated job. His salary should be increased thereafter only if his performance ranks as superior in comparison with that of other employees performing the same or similar jobs. Experience is generally required for superior performance, but additional experience alone does not guarantee superior performance.
- An employee whose salary is above the midpoint of his salary range should be receiving such premium pay only because of superior performance. Highest level performance warrants premium pay, but additional premium pay for only satisfactory performance cannot be justified. It should be remembered that many employees with salaries at or over the midpoint of their salary range will not receive merit salary increases every year. The absence of a merit increase in these circumstances certainly does not mean that an employee's performance is considered unsatisfactory.

* * *

Excerpts from Handbook Given to Salaried Personnel

AN EQUITABLE SALARY SYSTEM

The (company's) salary system recognizes the differences in the skills required in the various positions. Each position is evaluated to determine its relative worth in comparison to other positions. The salary system can best be compared

to a stairway with the lowest valued position at the bottom step and the highest valued position, with the greatest responsibility, at the top step. Between the bottom and top steps, all the other positions are arranged in order of their relative value. This series of steps provides a structure in which positions are placed in terms of their relative value. A systematic classification system such as this provides a basis for uniform administration of salaries throughout the company.

Salaries Are Competitive

Just as it is important to have internal consistency in our salary system, it is also important that our salary ranges be competitive with those of other industries and other companies in (our) industry. To this end, periodic studies are made to compare the (company's) salary structure with those of other companies.

Personal Development Is Encouraged

Another purpose of the salary system is to encourage each employee to improve his performance and prepare himself to assume greater responsibility. Salary ranges make it possible for employees to be rewarded by merit adjustments when they demonstrate outstanding performance. The company's promotional increase policy also provides employees with an incentive to develop themselves for greater responsibility.

Position Analysis and Evaluation

The (company's) position analysis and evaluation program requires the participation of employees and supervisors as well as representatives of the salaried personnel activity. When a new position is created or when the duties of an existing position classification change significantly, the employee concerned is asked to complete a description of his duties and responsibilities on what is called the employee position description form. This write-up is then reviewed by the supervisor and the salary administration representative to determine whether an existing classification can be used, or a new classification established for the position.

In making this evaluation, numerical values are assigned to each of the major factors considered. These factors are:

- Experience, knowledge, and skill involved.
- Complexity of the work.
- Personal contacts both inside and outside the company.
- Responsibility for the safety of others, company funds and property, confidential information, and working without supervisory direction. Responsibility for the work of others is also included under this factor.

Each of these factors has a range of numerical values. The value assigned to each factor in a particular position is obtained by comparison with certain other company positions. The sum of the values of all the factors determines the salary grade for a given position. Thus, as each position is evaluated, it logically falls into a salary grade.

Salary Grade Ranges

The salary grades indicate the value of each position in relation to other positions in the company. In this way, all positions having similar responsibility and similar skill requirements are paid in the same salary grade. In order that individual differences in the performance of duties may be recognized, each salary grade has a range from its minimum to the maximum. There is a differential between the minimums of each salary grade which assures salary progression upon assignment of increased responsibility and reclassification to a higher salary grade. Thus, these salary ranges provide opportunities for merit increases within the salary grade as well as promotional increases when assigned to classification in a higher salary grade.

You may obtain information as to your classification, salary grade and range from your supervisor.

Management Bookshelf

Trends in Employee Benefits—This book analyzes company practice and management views in sixty-three companies concerning the financing of employee benefits. It accents arguments for and against employee contributions and, in addition, contains a discussion of the need for educating employees on the value and cost of benefits. *Industrial Relations Memo 137, Industrial Relations Counselors, 1270 Avenue of Americas, New York, New York, 1961, 29 pp., $1.50.*

The Measure of Management: Designing Organizations for Human Effectiveness—A company president and a professor of management have teamed up to describe their minimum requirements for a science of management. Taking issue with what they consider to be the rigidities of conventional organization theory and the ambiguities of the "human relations movement," they find their basis in measurement. They say their objective has been to develop "a consistent and generally applicable system of measurement so that the executive can describe the personality of a fellow manager, elements in the organization structure, and the work-flow pattern of his department 'in the same language'."

The authors go on to discuss the implications of their approach for employee health, "interactional psychiatry," union-management relations, organizational change, and the moral problems facing an executive. *By Eliot D. Chapple and Leonard R. Sayles, The MacMillan Company, New York, New York, 1961, 218 pp., $6.50.*

Trade Union Democracy in Western Europe—Both the strength and weakness of the union movements in the countries of Western Europe are analyzed in this book. *By Walter Galenson, University of California Press, Berkeley, California, 1961, $2.25.*

Wage and Fringe Developments in Bargaining

Pittsburgh Plate Glass provides a penny for each hour worked in order to finance a pilot plan that continues hospitalization benefits for laid-off employees

AN EXPERIMENTAL plan designed to provide continued hospitalization insurance for laid-off employees has been agreed upon by Pittsburgh Plate Glass Company and the Glass and Ceramic Workers at eight of the company's plant locations which are covered under a master labor contract. The plan is retroactive to February 1961 and is financed by company contributions of a penny for each hour worked. Administratively, each plant maintains its own account, and once a month credits the account with the money earned based on the previous month's work. The account is then used to pay the monthly hospitalization premiums of eligible employees on layoff.

To be eligible for company payment of hospitalization premiums the employee's layoff must have occurred after February 15, 1961 and he must be on layoff status for the entire month preceding the month in which his premium is to be paid. On the last day of each calendar month the employee's status is determined for the following month. Also on the last day of the month the employee must be currently insured in the local plant's hospitalization plan.

When these requirements are met, premium payments will be made from the account in amounts not to exceed $6.25 for each laid-off single employee and $14.25 for each employee on layoff with insured dependents. But employees may not receive benefits for more than six months in any one period of layoff.

Early each month the number of eligible participants and the amount of money available are determined at each location. Only if a location's account is large enough to pay the total premiums for all eligible employees will any payment be made for a given month. But the plan permits a location with insufficient funds to borrow from another location's account in order to meet its premium obligations. Whenever this is done, however, the loan must be repaid before the borrowing location can again use its account for payment of monthly insurance premiums.

In the event a location is unable to borrow sufficient money from other locations to pay the total premium costs for a particular month, then no payment at all will be made that month, and the individual employee must pay the premium himself. Where payments are normally contributory, the employee pays only his part of the monthly cost; the employer pays the difference.

The plan also stipulates that if an employee fails to pay his part of the premium when required to do so, the company will not be accountable if the policy is terminated by the carrier.

The experimental insurance plan is to remain in effect until next February when the general labor agreement expires. Any balances in the various accounts at that time will be distributed as added vacation pay to those eligible for vacation benefits.

The "laid-off employee's hospitalization insurance account" is in addition to and completely separate from his security benefit account, which is continued from previous contracts and financed by company contributions of 10 cents an hour. This account pays the employee directly in the event of layoff, termination, disability, or retirement.

Escalator Provision Suspended for One Year

The Sperry Gyroscope Company, a division of Sperry-Rand Corporation, has recently negotiated a three-year contract with IUE that brings about a notable change in the escalator provision. Effective with the new agreement, the accumulated cost-of-living allowance, amounting to 22 cents an hour, is frozen, and the escalator clause is suspended for one year. Beginning with the second year, the escalator provision will be resumed. Then, three months before the contract expiration date, the allowance then in effect will be transferred to base rates.

The new agreement also grants a wage increase of 2.5% the first year and 2.5% additional in each of the remaining years. An employee becomes eligible for a third week of vacation after ten rather than twelve years of service, and the paid sick leave allowance is increased from five to six days.

N. Beatrice Worthy
Division of Personnel Administration

Significant Pay Settlements

Company, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
	DURABLE MANUFACTURING	
Bell Aerosystems Company (Niagara Frontier plants) with *UAW* in Buffalo, New York, area. 843 hourly Effective 5-1-61. Contract expired New contract: 3 years	No general increase 1st year. 3¢ of existing 5¢ cost-of-living allowance frozen into base rates Deferred increase: 5¢ per hour effective 4-30-62 and 4-29-63	Revised: 4 weeks' vacation pay after 20 service (only 3 weeks can be taken as off)
Libbey-Owens-Ford Glass Company with *Glass Cutters* in Charleston, West Virginia and Shreveport, Louisiana. 250 hourly Effective 5-17-61. Contract expired New contract: 2 years	Differential for nonincentive workers increased from 26¢ to 30¢	Revised: Increased Company contributi enlarge group life insurance policy, increase terminating at retirement; $5($30) per week sickness and accident be contributory hospital and surgical pro providing company contribution of (was $4) per month for single emplo $14.25 (was $9) for employees wit pendents; pension plan
Revere Copper & Brass, Inc. with *Iron Workers* and *District 50, UMWA ind.*, in Baltimore, Md. 1,000 hourly Retroactive to 1-1-61. Contract expired New contract: 2 years; wage reopener 11-1-61	3.5% general increase (minimum 8¢ an hour)	Revised: Hospital room and board incr to $14 per day
Sperry Gyroscope Company (Division of Sperry Rand Corp.) with *IUE* at Great Neck, N. Y., 7,700 hourly Effective 6-1-61. Contract expired New contract: 3 years	2.5% general increase; cost-of-living allowance frozen at the amount currently paid for first year of contract Deferred: 2.5% additional 6-1-62 and again 6-1-63. Also, beginning 6-1-62 cost-of-living escalation will resume and the amount in effect at the 33rd month of the contract will be factored into base rates	Revised: 3 weeks' vacation after 10 (was 12 years); paid sick leave prov increased from 5 to 6 days
Weyerhaeuser Company with *Woodworkers*. Nationwide. 11,000 hourly Effective 6-1-61. Contract expired New contract: 2 years; reopenings on wages and union security 6-1-62	1% increase for all employees except fallers and buckers who receive an increase of 28¢ per hour (because of switch from piece rates to hourly wage scales), hooktenders who receive 25¢ per hour and rigging slingers who get 12.5¢ an hour	Revised: Pension plan providing mo retirement benefits at the rate of 0.6 first $400 of average gross monthly for last 10 completed calendar years ceding retirement, plus 1% of any addit amount for each year of service (was a of 1% of gross average monthly w minus ½ employee's primary Socia curity benefit); paid holiday eligibility
	CHEMICAL AND ALLIED PRODUCTS	
Acme Quality Paints, Inc. (The Sherwin-Williams Co. affiliate) with *OCAW* at Detroit, Mich. 245 hourly Effective: 6-1-61. Contract expired New contract: 1 year	5¢ per hour general increase retroactive to 5-15-61	Revised: Floating holiday changed to after Thanksgiving
Hercules Powder Company with *Chemical Workers* in Parlin, New Jersey. 900 hourly Retroactive 3-14-61; wage reopener in contract expiring 3-14-62	5¢ and 6¢ per hour increase	No change
and with *Chemical Workers* in Rocky Hill, N.J. 135 hourly Effective 4-12-61. Contract expired New contract: 1 year	5¢ to 9¢ per hour increase (7¢ average); 50¢ per hour premium for work on Sunday; double time for 7th consecutive day worked	Revised: Company-paid individual cove on Blue Cross-Blue Shield insurance; ability pay to begin after 2nd day; 2 pai safety shoes to be provided at ½ price
and with *Chemical Workers* in Brunswick, Ga. 550 hourly Retroactive 3-10-61. Contract expired New contract: 2 years; wage reopening in 2nd year	6¢ to 8¢ per hour increase plus inequity adjustments ranging from 1¢ to 7¢; 25¢ premium for Sunday work Deferred increase: 25¢ additional premium for Sunday work in 1962	No change
and with *OCAW* in California. 225 hourly Retroactive to 3-1-61. Contract expired New contract: 1 year	8¢ per hour increase	Revised: Call-in pay provisions

...pany, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
...ckrodt Chemical Works with ...al Plant Workers (*ind.*) in St. Louis, Mis... ...585 hourly ...oactive to 1-1-61. Contract expired ... contract: 2 years	10.4¢ per hour general increase Deferred increase: Additional 9¢ effective 1-1-62	Added: Severance pay provisions
... & Company, Inc., with ...'. Nationwide. 2,800 hourly ...oactive to 5-1-61; reopener under contract ...ing 4-30-62	7½¢ to 10¢ per hour increase (8½¢ average)	Revised: Pension and group insurance plans (no reopener in these areas for 5 years)
...quibb & Sons (Division of Olin Mathieson ...cal Corp.) with ...' in Brooklyn, N.Y. and New Brunswick, ...300 hourly ...ctive 5-1-61. Contract expired ... contract: 2 years	4% general increase Deferred increase: 2.5% additional 3-1-62	Added: Company to provide Blue Cross and Blue Shield coverage for retired employees Revised: Minor changes in retirement plan and contract language
... Carbide Plastics Company with ...cals & Crafts Union (*ind.*) in Bound Brook, ...ersey. 1,300 hourly ...oactive to 4-10-61; wage reopener in 2-... contract expiring 4-4-62	6¢ per hour increase	No change
...lotte Chemical Corporation with ...V in Wyandotte, Mich. 1,600 hourly ...oactive to 5-4-61. Contract expired 3-1-61 ... contract: 2 years	5¢ to 9¢ per hour general increase. Deferred increase: 6¢ general increase effective 5-4-62	Revised: Hospital-benefits and pension plan
	FOOD PRODUCTS	
...f Brewing Company with ...y *Workers* in El Paso, Texas. 90 hourly ...oactive to 4-1-61. Contract expired ... contract: 2 years	15¢ per hour increase effective each year for production employees and hot shots, coil cleaners and route helpers; increased base rates and commissions for route drivers each year; 10¢ and 15¢ (were 9¢ and 12¢) per hour shift differentials; 1½ time for Saturday work; double time (was 1½ time) for Sunday work	Added: 9th paid holiday first year; 10th paid holiday 2nd year Revised: $2,500 (was $2,000) life insurance, going to $3,000 2nd year; $750 paid-up life insurance for retirees effective 2nd year; weekly sickness and accident benefits increased from $30 to $40, going to $45 2nd year for a 26-week period; hospital benefits increased from $7 to $12 a day for a 70-day period for employees and from $6 to $9 a day for dependents and to $10 in 2nd year; hospital extras of $150 (were $90) for dependents going to $175 2nd year
...ith ...y *Workers* in Galveston, Texas. 220 hourly ...oactive to 4-1-61. Contract expired ... contract: 2 years	15¢ per hour general increase Deferred increase: 12½¢ additional 2nd year	Holiday provisions same as above
...Heinz Company with ...SU in Holland, Michigan. 390 hourly ...roactive to 2-27-61. Contract expired ...v contract: 1 year	8¢ per hour increase. 7½¢ (was 5¢) per hour night bonus	Revised: 3 weeks' vacation after 10 (was 15) years
...gg Company with ... *Millers* and *Printing Pressmen* in Battle ..., Michigan. 3,720 hourly ...roactive to 4-1-61. Contract expired ...v contract: 2 years	2½% (6¢ per hour minimum) increase Deferred increase: 2½% (6¢ per hour minimum) 4-1-62	Added: Major medical (contributory) insurance Revised: $16 (was $14) daily hospital benefit; contributory weekly indemnity insurance increased 10%
	OTHER NONDURABLES	
...ican Oil Company (Standard Oil Company ...a subsidiary) with ...V at Tezas City, Tex. 1,250 hourly ...roactive to 12-23-60; may be reopened with ...days prior notice, on or after 11-12-61. No ...ice may be served before 11-12-61	14¢ per hour general increase	No change

Company, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
Seiberling Rubber Company with *Rubber Workers* in Barberton & Carey, Ohio. 1,225 hourly Effective 5-1-61. Contract expired New contract: 2 years	7½¢ per hour increase for employees of Barberton plant and 3½¢ for employees at Carey, effective 6-19-61 Deferred increase: 7¢ and 4¢ additional for each group respectively 6-25-62	Added: Optional separation award for e ployees with at least 5 years' service w are laid off more than 2 years; 8th pa holiday Revised: SUB duration extended to 39-we maximum (was 26); additional $5 per we in maximum SUB payments; 3 weeks' vac tion after 10 (was 11) years and 4 week vacation after 22 (was 25) years
	PUBLIC UTILITIES	
Arkansas Power & Light Company with *IBEW* in Pine Bluff, Ark. 1,758 hourly Effective 6-1-61; wage reopening	4.19% general increase	Open for wages only
Boston Edison Company with *Utility Workers* in Boston, Mass. 3,367 professional, clerical and production employees Retroactive to 4-2-61. Contract expired New contract: 2 years	5% increase, plus classification adjustments Deferred increase: 5% additional 4-1-62	Revised: 4 weeks' vacation after 20 years; s leave provisions; Sunday premium and clement weather provisions
Southern Counties Gas Company of California with *Chemical Workers* in southern Calif. 1,415 hourly Effective 4-1-61. Contract expired New contract: 1 year	4½% general increase. Pay progression schedule changed to 15 months (was 12 months). Shift differentials increases 1¢ to 9¢ and 13¢	Revised: 3-year pension plan providing mo fied joint and survivors' options and limi vesting of retirement benefits; 3 paid ho days guaranteed
Worcester Gas Light Company with *District 50, UMW ind.*, in Cambridge, Massachusetts Effective 4-2-61. Contract expired New contract: 3 years; reopening on wages only 4-1-63	3% general increase; 2nd shift differential increased from 8¢ to 10¢ Deferred increase: 4% additional 4-1-62	Revised: Pension plan; comprehensive B Cross-Blue Shield insurance program
	TRANSPORTATION	
Atlantic, Eastern, Southeastern and Central Southwestern Greyhound Lines with *Motor Coach Employees*. 17,500 hourly Retroactive to 11-1-60. Contract expired New contract: 2 years	10¢ per hour increase or 0.4¢ per mile. Current 4¢ per hour or 0.2¢ per mile cost-of-living adjustment incorporated into base rates 80¢ per hour spread-time pay, going to 85¢ 11-1-61 (was 75¢); 1½ times (was straight time) plus holiday pay for work on holiday falling on scheduled day off $175 (was $160) semimonthly guarantee to extra drivers Deferred increase: 8¢ per hour additional or 0.3¢ per mile, 11-1-61; semimonthly extra drivers guarantee goes to $180, 11-1-61	Revised: 4 weeks' vacation after 20 ye (was 25); increased company contribut to health and welfare fund; tire-char payments increased 75¢
Northeast Airlines with *IAM*. Nationwide. 1,000 hourly Retroactive to 10-1-60. Contract expired New contract: 27 months	12¢ to 18¢ per hour increase. 9¢ and 15¢ (were 7¢ and 12¢) per hour shift differentials Deferred increase: 5¢ additional effective 11-1-61	Added: 8th paid holiday Revised: Severance pay ranging from 2 we after 2 years to 10 weeks after 10 ye (was 8-week maximum); vacations weeks after 20 years (was 3 weeks af 10 years)
Pan American World Airways with *Transport Workers*. Covering Overseas Division Atlantic area commissary employees. 111 hourly Retroactive to 2-1-61. Contract expired New contract: 20 months	From 9¢ to 17¢ per hour general increase (10.8¢ average). Includes 2¢ per hour which employees may elect to use for purchase of group hospital—surgical insurance Afternoon shift differential increased from 7¢ to 9¢; longevity pay of 1¢ an hour after 3 years' service to a maximum of 10¢ an hour	Added: 4 weeks' paid vacation after 20 yea service or more
	COMMUNICATIONS	
Chesapeake & Potomac Telephone Company with *Communications Workers of America* in Washington, D.C. 6,300 hourly Effective 5-14-61; wage reopening in 3-year contract expiring 5-1-63	$1.50 to $3.00 general increase plus two job classification adjustments	No change
Northwestern Bell Telephone Company with *Communications Workers* in North & South Dakota, Minnesota, Nebraska and Iowa. 18,600 hourly Effective 5-21-61; wage reopener in (3-year contract expiring 5-19-63	5.4¢ per hour average increase in rates which includes the following schedule shortening: 5½ year progression schedule for operators (was 6 years); 6-year progression schedule for plant employees (was 6½ years)	No change

[1] All unions are affiliated with AFL-CIO unless otherwise indicated.

Studies in Business Economics

In the July Business Record

Business Highlights—This month's **Highlights** concentrates on an appraisal of the price trend, its impact on the current strength of private business, and the multiplicity and complexity of government spending programs. Included are several short surveys, one of them on United States machinery sales abroad, one on the end of liquidation in steel inventories, and one on the number of dependents per worker in the country's labor force.

Capital Appropriations: Upswing Slowed—In the first quarter of 1961, the 1,000 largest manufacturing companies authorized slightly less for new plant and equipment than in the previous three months, in contrast to a sharp increase in the fourth quarter of 1960. At the same time, approvals in the investor-owned gas and electric utility industry were slowed in their downward trend. Noteworthy increases in capital appropriations occurred in iron and steel and motor vehicles.

Business Upsurge To Outpace Profits—Three fourths of the companies participating in this month's survey expect the dollar volume of billings in the second half of 1961 to exceed the total for that period last year. Nearly four out of five of the firms look forward to more new orders than in the second half of last year, while fewer than half expect the year's earnings to be better. The reaction of the cooperating companies to President Kennedy's tax incentive proposal is also examined.

Published by THE CONFERENCE BOARD
460 Park Avenue, New York 22, N. Y.
Canadian Office 505 Dorchester Boulevard West, Montreal 1

FOUNDED 1916